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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2024**  
**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**  
**Commission File Number: 001-34963**

**LPL Financial Holdings Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**20-3717839**

*(I.R.S. Employer Identification No.)*

**4707 Executive Drive, San Diego, California 92121**

*(Address of principal executive offices) (Zip Code)*

**(800) 877-7210**

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - \$0.001 par value per share	LPLA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

The number of shares of Common Stock, par value \$0.001 per share, outstanding as of October 31, 2024 was 74,879,579.

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## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the Securities and Exchange Commission (“SEC”). Our SEC filings are available to the public on the SEC’s website at [sec.gov](http://sec.gov).

We post the following filings to our website at [lpl.com](http://lpl.com) as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Copies of all such filings are available free of charge by request via email ([investor.relations@lplfinancial.com](mailto:investor.relations@lplfinancial.com)), telephone ((617) 897-4574) or mail (LPL Financial Investor Relations at 1055 LPL Way, Fort Mill, SC 29715). The information contained or incorporated on our website is not a part of this Quarterly Report on Form 10-Q.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the “Investor Relations” or “Press Releases” sections. Accordingly, investors should monitor these portions of our website in addition to following the Company’s press releases, SEC filings, public conference calls and webcasts.

*When we use the terms “LPLFH,” “LPL,” “we,” “us,” “our” and “the Company,” we mean LPL Financial Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.*

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in Part I, *Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”* and other sections of this Quarterly Report on Form 10-Q regarding:

- the Company’s future financial and operating results, outlook, growth, plans, business strategies, liquidity, future share repurchases and dividends, including statements regarding future resolution of regulatory matters, legal proceedings and related costs;
- the Company’s future revenue and expense;
- future affiliation models and capabilities;
- the expected transition and onboarding of advisors, institutions and assets in connection with our acquisition and recruitment activity;
- market and macroeconomic trends, including the effects of inflation and the interest rate environment;
- projected savings and anticipated improvements to the Company’s operating model, services and technologies as a result of its investments, initiatives, programs and acquisitions; and
- any other statements that are not related to present facts or current conditions, or that are not purely historical, constitute forward-looking statements.

These forward-looking statements reflect the Company’s expectations and objectives as of November 4, 2024. The words “anticipates,” “believes,” “expects,” “may,” “plans,” “predicts,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that expectations or objectives expressed or implied by the Company will be achieved. The achievement of such expectations and objectives involves risks and uncertainties that may cause actual results, levels of activity or the timing of events to differ materially from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include:

- changes in general economic and financial market conditions, including retail investor sentiment;
- changes in interest rates and fees payable by banks participating in the Company’s client cash programs, including the Company’s success in negotiating agreements with current or additional counterparties;
- the Company’s strategy and success in managing client cash program fees;
- fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue;
- effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions, and their ability to provide financial products and services effectively;
- whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company;

- difficulties and delays in onboarding the assets of acquired or recruited advisors, including the receipt and timing of regulatory approvals that may be required;
- disruptions in the businesses of the Company that could make it more difficult to maintain relationships with advisors and their clients;
- the choice by clients of acquired or recruited advisors not to open brokerage and/or advisory accounts at the Company;
- changes in the growth and profitability of the Company's fee-based offerings and asset-based revenues;
- the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations;
- the cost of defending, settling and remediating issues related to regulatory matters or legal proceedings, including civil monetary penalties or actual costs of reimbursing customers for losses in excess of our reserves or insurance;
- changes made to the Company's services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company's gross profit streams and costs;
- execution of the Company's capital management plans, including its compliance with the terms of the Company's amended and restated credit agreement (the "Credit Agreement"), the committed revolving credit facility at our primary broker-dealer subsidiary, LPL Financial LLC (the "Broker-Dealer Revolving Credit Facility"), and the indentures governing the Company's senior unsecured notes (the "Indentures");
- strategic acquisitions and investments, including pursuant to the Company's Liquidity & Succession solution, and the effect that such acquisitions and investments may have on the Company's capital management plans and liquidity;
- the price, availability and trading volumes of shares of the Company's common stock, which will affect the timing and size of future share repurchases by the Company, if any;
- execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, expense plans and technology initiatives;
- whether advisors affiliated with Atria Wealth Solutions, Inc. ("Atria") or Prudential Financial, Inc. ("Prudential") will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company;
- the failure to satisfy the closing conditions applicable to the strategic relationship agreement between the Company and Prudential, including regulatory approval;
- the performance of third-party service providers to which business processes have been transitioned;
- the Company's ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks; and
- the other factors set forth in the Company's most recent Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q.

Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this Quarterly Report on Form 10-Q, and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

## GLOSSARY OF TERMS

**Acquisition Costs:** Expenses that include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of the acquisitions.

**Adjusted EBITDA:** A non-GAAP financial measure defined as EBITDA plus acquisition costs and certain regulatory charges.

**Adjusted EPS:** A non-GAAP financial measure defined as Adjusted Net Income divided by the weighted average number of diluted shares outstanding for the applicable period.

**Adjusted Net Income:** A non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs, and certain regulatory charges.

**Basis Point:** One basis point equals 1/100th of 1%.

**Core G&A:** A non-GAAP financial measure defined as total expense excluding the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs.

**Corporate Cash:** A component of cash and equivalents that includes the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial LLC and The Private Trust Company, N.A., in excess of the capital requirements of the Company's Credit Agreement, which, in the case of LPL Financial LLC is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with the Uniform Net Capital Rule, and (3) cash and equivalents held at non-regulated subsidiaries.

**Credit Agreement:** The Company's amended and restated credit agreement.

**Credit Agreement EBITDA:** A non-GAAP financial measure defined in the Credit Agreement as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

**EBITDA:** A non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles.

**FINRA:** The Financial Industry Regulatory Authority.

**GAAP:** Accounting principles generally accepted in the United States of America.

**Gross Profit:** A non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation.

**Indentures:** The indentures governing the Company's senior unsecured notes.

**Leverage Ratio:** A financial metric from our Credit Agreement that is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA.

**NFA:** The National Futures Association.

**OCC:** The Office of the Comptroller of the Currency.

**RIA:** Registered investment advisor.

**SEC:** The U.S. Securities and Exchange Commission.

**Uniform Net Capital Rule:** Refers to Rule 15c3-1 under the Exchange Act, which specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers.

## **PART I — FINANCIAL INFORMATION**

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

#### **Business Overview**

LPL serves the advisor-mediated marketplace as the nation’s largest independent broker-dealer, a leading investment advisory firm and a top custodian. We serve more than 23,000 financial advisors, including advisors at approximately 1,000 institutions and at approximately 580 registered investment advisor (“RIA”) firms nationwide, providing the front-, middle- and back-office support our advisors need. Through our comprehensive platform, we offer integrated technology solutions; brokerage and advisory platforms; clearing, compliance, business and planning and advice services; consultative practice management programs and training; and in-house research to help our advisors deliver advice to their clients and run successful businesses.

We are steadfast in our commitment to the advisor-mediated model and the belief that investors deserve access to personalized guidance from a financial advisor. We believe advisors should have the freedom to choose the business model, services and technology they need and to manage their client relationships. We believe investors achieve better outcomes when working with a financial advisor, and we strive to make it easy for advisors to do what is best for their clients.

We believe that we are the only company that offers the unique combination of an integrated technology platform, comprehensive self-clearing services and access to a wide range of curated non-proprietary products all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting and market-making.

#### **Our Sources of Revenue**

Our revenue is derived primarily from fees and commissions from products and advisory services offered by our advisors to their clients, a substantial portion of which we pay out to our advisors, as well as fees we receive from our advisors for the use of our technology, custody, clearing, trust and reporting platforms. We also generate asset-based revenue through our insured bank sweep vehicles, money market account balances and the access we provide to a variety of product providers with the following product lines:

- Alternative Investments
- Annuities
- Exchange Traded Products
- Insurance Based Products
- Mutual Funds
- Retirement Plan Products
- Separately Managed Accounts
- Structured Products
- Unit Investment Trusts

Under our self-clearing platform, we custody the majority of client assets invested in these financial products, for which we provide statements, transaction processing and ongoing account management. In return for these services, mutual funds, insurance companies, banks and other financial product sponsors pay us fees based on asset levels or number of accounts managed. We also earn interest from margin loans made to our advisors’ clients, cash and equivalents segregated under federal or other regulations, advisor repayable loans and operating cash, which is included in interest income, net in the condensed consolidated statements of income. A portion of our revenue is not asset-based or correlated with the equity financial markets.

We regularly review various aspects of our operations and service offerings, including our policies, procedures and platforms, in response to marketplace developments. We seek to continuously improve and enhance aspects of our operations and service offerings in order to position our advisors for long-term growth and to align with competitive and regulatory developments. For example, we regularly review the structure and fees of our products and services, including related disclosures, in the context of the changing regulatory environment and competitive landscape for advisory and brokerage accounts.

## Significant Events

### ***Executive departure and appointments***

On October 1, 2024, the Company announced that the Board of Directors (“Board”) had terminated Dan H. Arnold, President and Chief Executive Officer of the Company, for “Cause” as defined under the Company’s Executive Severance Plan, the Company’s 2010 Omnibus Equity Incentive Plan, and the Company’s 2021 Omnibus Equity Incentive Plan. On October 21, 2024, the Company announced that the Board had confirmed Rich Steinmeier as Chief Executive Officer and elected him to the Board. The Company also named Matt Audette as President and Chief Financial Officer. See Note 16 - *Subsequent Events*, within the notes to the condensed consolidated financial statements for additional information.

### ***Closed on the acquisition of Atria Wealth Solutions, Inc.***

On February 13, 2024, the Company announced that it had entered into a definitive purchase agreement to acquire Atria, a wealth management solutions holding company headquartered in New York. The transaction closed on October 1, 2024, for an initial cash payment of approximately \$835 million and potential contingent consideration of up to \$230 million based on future retention and up to approximately \$100 million if other milestones, including the conversion of off-platform assets to the Company’s platform, are achieved. See Note 4 - *Acquisitions*, within the notes to the condensed consolidated financial statements for additional information.

## Executive Summary

### *Financial Highlights*

Results for the third quarter of 2024 included net income of \$255.3 million, or \$3.39 per diluted share, which compares to \$224.3 million, or \$2.91 per diluted share, for the third quarter of 2023.

### *Asset Trends*

Total advisory and brokerage assets served were \$1.6 trillion at September 30, 2024, compared to \$1.2 trillion at September 30, 2023. Total net new assets were \$27.5 billion for the three months ended September 30, 2024, compared to \$33.2 billion for the same period in 2023.

Net new advisory assets were \$23.7 billion for the three months ended September 30, 2024, compared to \$22.7 billion for the same period in 2023. Advisory assets were \$892.0 billion, or 56% of total advisory and brokerage assets served, at September 30, 2024, up 35% from \$662.7 billion at September 30, 2023.

Net new brokerage assets were \$3.8 billion for the three months ended September 30, 2024, compared to \$10.5 billion for the same period in 2023. Brokerage assets were \$700.1 billion at September 30, 2024, up 22% from \$575.7 billion at September 30, 2023.

### *Gross Profit Trend*

Gross profit, a non-GAAP financial measure, was \$1.1 billion for the three months ended September 30, 2024, an increase of 12% from \$1.0 billion for the three months ended September 30, 2023. See the “*Key Performance Metrics*” section for additional information on gross profit.

### *Common Stock Dividends*

During the three months ended September 30, 2024, we paid stockholders cash dividends of \$22.4 million.

## Key Performance Metrics

We focus on several key metrics in evaluating the success of our business relationships and our resulting financial position and operating performance. Our key operating, business and financial metrics are as follows:

	As of and for the Three Months Ended		
	September 30, 2024	June 30, 2024	September 30, 2023
<b>Operating Metrics (dollars in billions)<sup>(1)</sup></b>			
<b>Advisory and Brokerage Assets<sup>(2)</sup></b>			
Advisory assets	\$ 892.0	\$ 829.1	\$ 662.7
Brokerage assets	700.1	668.7	575.7
<b>Total Advisory and Brokerage Assets</b>	<b>\$ 1,592.1</b>	<b>\$ 1,497.8</b>	<b>\$ 1,238.4</b>
Advisory as a % of total Advisory and Brokerage Assets	56.0%	55.4%	53.5%
<b>Net New Assets<sup>(3)</sup></b>			
Net new advisory assets	\$ 23.7	\$ 26.8	\$ 22.7
Net new brokerage assets	3.8	7.2	10.5
<b>Total Net New Assets</b>	<b>\$ 27.5</b>	<b>\$ 34.0</b>	<b>\$ 33.2</b>
<b>Organic Net New Assets</b>			
Organic net new advisory assets	\$ 23.2	\$ 26.6	\$ 22.7
Organic net new brokerage assets	3.8	2.5	10.5
<b>Total Organic Net New Assets</b>	<b>\$ 27.0</b>	<b>\$ 29.0</b>	<b>\$ 33.2</b>
Organic advisory net new assets annualized growth <sup>(4)</sup>	11.2%	13.4%	13.7%
Total organic net new assets annualized growth <sup>(4)</sup>	7.2%	8.1%	10.7%
<b>Client Cash Balances</b>			
Insured cash account sweep	\$ 32.1	\$ 31.0	\$ 33.6
Deposit cash account sweep	9.6	9.2	9.1
<b>Total Bank Sweep</b>	<b>41.7</b>	<b>40.2</b>	<b>42.7</b>
Money market sweep	2.3	2.3	2.6
<b>Total Client Cash Sweep Held by Third Parties</b>	<b>44.0</b>	<b>42.5</b>	<b>45.3</b>
Client cash account <sup>(5)</sup>	1.8	1.5	1.5
<b>Total Client Cash Balances</b>	<b>\$ 45.8</b>	<b>\$ 44.0</b>	<b>\$ 46.9</b>
Client Cash Balances as a % of Total Assets	2.9%	2.9%	3.8%
Net buy (sell) activity <sup>(6)</sup>	\$ 37.7	\$ 39.3	\$ 35.6
<b>Business and Financial Metrics (dollars in millions)</b>			
<b>As of and for the Three Months Ended</b>			
	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>September 30, 2023</b>
Advisors	23,686	23,462	22,404
Average total assets per advisor <sup>(7)</sup>	\$ 67.2	\$ 63.8	\$ 55.3
Share repurchases	\$ —	\$ —	\$ 250.0
Dividends	\$ 22.4	\$ 22.4	\$ 22.8
Leverage ratio <sup>(8)</sup>	1.61	1.68	1.26

<b>Financial Metrics (dollars in millions, except per share data)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Total revenue	\$ 3,108.4	\$ 2,522.4	\$ 8,872.8	\$ 7,409.0
Net income	\$ 255.3	\$ 224.3	\$ 787.9	\$ 848.7
Earnings per share (“EPS”), diluted	\$ 3.39	\$ 2.91	\$ 10.45	\$ 10.82
<b>Non-GAAP Financial Metrics (dollars in millions, except per share data)</b>				
Adjusted EPS <sub>(9)</sub>	\$ 4.16	\$ 3.74	\$ 12.25	\$ 12.18
Gross profit <sub>(10)</sub>	\$ 1,128.1	\$ 1,010.1	\$ 3,273.7	\$ 3,019.9
Adjusted EBITDA <sub>(11)</sub>	\$ 566.2	\$ 504.4	\$ 1,639.6	\$ 1,594.2
Core G&A <sub>(12)</sub>	\$ 359.1	\$ 341.7	\$ 1,093.6	\$ 1,004.9

- (1) Totals may not foot due to rounding.
- (2) Consists of total advisory and brokerage assets under custody at the Company’s primary broker-dealer subsidiary, LPL Financial LLC (“LPL Financial”). Please consult the “Results of Operations” section for a tabular presentation of advisory and brokerage assets.
- (3) Consists of total client deposits into advisory or brokerage accounts less total client withdrawals from advisory or brokerage accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage or advisory accounts as deposits and withdrawals, respectively.
- (4) Calculated as annualized current period organic net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets.
- (5) During the first quarter of 2024, the Company updated its definition of client cash account balances to exclude other client payables. Prior period disclosures have been updated to reflect this change as applicable.
- (6) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.
- (7) Calculated based on the end of period total advisory and brokerage assets divided by the end of period advisor count.
- (8) The leverage ratio is a financial metric from our Credit Agreement and is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA. Credit Agreement EBITDA, a non-GAAP financial measure, is defined by the Credit Agreement as “Consolidated EBITDA,” which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. Please consult the “Debt and Related Covenants” section for more information. Below are reconciliations of corporate debt and other borrowings to Credit Agreement net debt as of the dates below and net income to EBITDA and Credit Agreement EBITDA for the trailing twelve-month periods presented (in millions):

<b>Credit Agreement Net Debt Reconciliation</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>September 30, 2023</b>
Corporate debt and other borrowings	\$ 4,469.2	\$ 4,471.9	\$ 3,141.9
Corporate Cash <sub>(13)</sub>	(708.4)	(684.1)	(308.7)
<b>Credit Agreement Net Debt<sub>(†)</sub></b>	<b>\$ 3,760.8</b>	<b>\$ 3,787.8</b>	<b>\$ 2,833.2</b>

<b>EBITDA and Credit Agreement EBITDA Reconciliation</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>September 30, 2023</b>
Net income	\$ 1,005.4	\$ 974.4	\$ 1,167.8
Interest expense on borrowings	246.6	227.2	169.5
Provision for income taxes	340.0	341.3	402.4
Depreciation and amortization	284.4	270.7	233.3
Amortization of other intangibles	121.2	116.5	101.1
<b>EBITDA<sub>(†)</sub></b>	<b>\$ 1,997.7</b>	<b>\$ 1,930.2</b>	<b>\$ 2,074.1</b>
<b>Credit Agreement Adjustments:</b>			
Acquisition costs and other <sub>(14)(15)</sub>	\$ 236.0	\$ 224.7	\$ 77.4
Employee share-based compensation	78.4	73.9	62.7
M&A accretion <sub>(16)</sub>	26.3	28.8	32.0
Advisor share-based compensation	2.5	2.6	2.6
<b>Credit Agreement EBITDA<sub>(†)</sub></b>	<b>\$ 2,340.9</b>	<b>\$ 2,260.2</b>	<b>\$ 2,248.9</b>

<b>Leverage Ratio</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>September 30, 2023</b>
	<b>1.61</b>	<b>1.68</b>	<b>1.26</b>

(†) Totals may not foot due to rounding.

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- (9) Adjusted EPS is a non-GAAP financial measure defined as adjusted net income, a non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs, and certain regulatory charges, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and adjusted EPS because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items, acquisition costs, and certain regulatory charges that management does not believe impact the Company's ongoing operations. Adjusted net income and adjusted EPS are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. Below is a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS for the periods presented (in millions, except per share data):

Adjusted Net Income / Adjusted EPS Reconciliation	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income / earnings per diluted share	\$ 255.3	\$ 3.39	\$ 224.3	\$ 2.91	\$ 787.9	\$ 10.45	\$ 848.7	\$ 10.82
Regulatory charge <sup>(15)</sup>	18.0	0.24	40.0	0.52	18.0	0.24	40.0	0.51
Amortization of other intangibles	32.5	0.43	27.8	0.36	92.6	1.23	78.6	1.00
Acquisition costs <sup>(17)</sup>	22.2	0.29	6.0	0.08	68.6	0.91	13.2	0.17
Tax benefit	(14.6)	(0.19)	(9.1)	(0.12)	(43.2)	(0.57)	(24.9)	(0.32)
<b>Adjusted Net Income / Adjusted EPS<sup>(†)</sup></b>	<b>\$ 313.4</b>	<b>\$ 4.16</b>	<b>\$ 288.9</b>	<b>\$ 3.74</b>	<b>\$ 923.9</b>	<b>\$ 12.25</b>	<b>\$ 955.6</b>	<b>\$ 12.18</b>
Weighted-average shares outstanding, diluted	75.4		77.1		75.4		78.4	

(†) Totals may not foot due to rounding.

- (10) Gross profit is a non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, are considered by management to be general and administrative in nature. Because our gross profit amounts do not include any depreciation and amortization expense, we consider our gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in our industry. We believe that gross profit amounts can provide investors with useful insight into our core operating performance before indirect costs that are general and administrative in nature. Below is a calculation of gross profit for the periods presented (in millions):

Gross Profit	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total revenue	\$ 3,108.4	\$ 2,522.4	\$ 8,872.8	\$ 7,409.0
Advisory and commission expense	1,948.1	1,488.4	5,500.6	4,307.8
Brokerage, clearing and exchange expense	29.6	24.8	93.2	80.1
Employee deferred compensation	2.6	(1.0)	5.3	1.2
<b>Gross Profit<sup>(†)</sup></b>	<b>\$ 1,128.1</b>	<b>\$ 1,010.1</b>	<b>\$ 3,273.7</b>	<b>\$ 3,019.9</b>

(†) Totals may not foot due to rounding.

- (11) EBITDA and adjusted EBITDA are non-GAAP financial measures. EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. Adjusted EBITDA is defined as EBITDA plus acquisition costs and certain regulatory charges. The Company presents EBITDA and adjusted EBITDA because management believes that they can be useful financial metrics in understanding the Company's earnings from operations. EBITDA and adjusted EBITDA are not measures of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. Below is a reconciliation of net income to EBITDA and adjusted EBITDA for the periods presented (in millions):

EBITDA Reconciliation	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 255.3	\$ 224.3	\$ 787.9	\$ 848.7
Interest expense on borrowings	67.8	48.4	192.2	132.4
Provision for income taxes	92.0	93.4	263.7	302.3
Depreciation and amortization	78.3	64.6	216.5	179.1
Amortization of other intangibles	32.5	27.8	92.6	78.6
<b>EBITDA</b>	<b>\$ 525.9</b>	<b>\$ 458.4</b>	<b>\$ 1,552.9</b>	<b>\$ 1,541.0</b>
Regulatory charge <sup>(15)</sup>	18.0	40.0	18.0	40.0
Acquisition costs <sup>(17)</sup>	22.2	6.0	68.6	13.2
<b>Adjusted EBITDA<sup>(†)</sup></b>	<b>\$ 566.2</b>	<b>\$ 504.4</b>	<b>\$ 1,639.6</b>	<b>\$ 1,594.2</b>

(†) Totals may not foot due to rounding.

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- (12) Core G&A is a non-GAAP financial measure defined as total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs. Management presents core G&A because it believes core G&A reflects the corporate expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission expense, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total expense as calculated in accordance with GAAP. Below is a reconciliation of the Company's total expense to core G&A for the periods presented (in millions):

Core G&A Reconciliation	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total expense	\$ 2,761.0	\$ 2,204.7	\$ 7,821.1	\$ 6,258.0
Advisory and commission	(1,948.1)	(1,488.4)	(5,500.6)	(4,307.8)
Depreciation and amortization	(78.3)	(64.6)	(216.5)	(179.1)
Interest expense on borrowings	(67.8)	(48.4)	(192.2)	(132.4)
Brokerage, clearing and exchange	(29.6)	(24.8)	(93.2)	(80.1)
Amortization of other intangibles	(32.5)	(27.8)	(92.6)	(78.6)
Employee deferred compensation	(2.6)	1.0	(5.3)	(1.2)
<b>Total G&amp;A<sup>(†)</sup></b>	<b>602.1</b>	<b>551.7</b>	<b>1,720.7</b>	<b>1,478.8</b>
Promotional (ongoing) <sub>(17)(18)</sub>	(175.6)	(140.2)	(455.7)	(347.9)
Employee share-based compensation	(20.3)	(15.7)	(62.9)	(50.5)
Acquisition costs <sub>(17)</sub>	(22.2)	(6.0)	(68.6)	(13.2)
Regulatory charges <sub>(15)</sub>	(24.9)	(48.1)	(39.9)	(62.4)
<b>Core G&amp;A<sup>(†)</sup></b>	<b>\$ 359.1</b>	<b>\$ 341.7</b>	<b>\$ 1,093.6</b>	<b>\$ 1,004.9</b>

(†) Totals may not foot due to rounding.

- (13) See the "Liquidity and Capital Resources" section for additional information about Corporate Cash.
- (14) Acquisition costs and other primarily include acquisition costs, costs incurred related to the integration of the strategic relationship with Prudential, and certain regulatory charges.
- (15) The Company recorded an \$18.0 million regulatory charge for the three and nine months ended September 30, 2024 related to an investigation of the Company's compliance with certain elements of the Company's Anti-Money Laundering compliance program. The Company recorded a \$40.0 million regulatory charge for the three and nine months ended September 30, 2023 related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. See Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements for additional information.
- (16) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of such acquisition.
- (17) Acquisition costs include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of acquisitions. The below table summarizes the primary components of acquisition costs for the periods presented (in millions):

Acquisition costs	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Fair value mark on contingent consideration	\$ 5.9	\$ —	\$ 30.5	\$ —
Compensation and benefits	8.3	1.3	19.0	3.2
Professional services	6.7	2.2	13.5	6.4
Promotional <sub>(18)</sub>	2.0	2.3	4.8	2.7
Other	(0.7)	0.2	0.8	0.8
<b>Acquisition costs<sup>(†)</sup></b>	<b>\$ 22.2</b>	<b>\$ 6.0</b>	<b>\$ 68.6</b>	<b>\$ 13.2</b>

(†) Totals may not foot due to rounding.

- (18) Promotional (ongoing) for the three and nine months ended September 30, 2024 includes \$13.0 million and \$33.2 million, respectively, of support costs related to full-time employees that are classified within compensation and benefits expense in the condensed consolidated statements of income compared to \$10.8 million and \$18.2 million for the same periods in 2023. Promotional (ongoing) excludes costs that have been incurred as part of acquisitions, which are included in the Acquisition costs line item.

## Legal and Regulatory Matters

The financial services industry is subject to extensive regulation by U.S. federal and state government agencies as well as various self-regulatory organizations. Compliance with all applicable laws and regulations involves a significant investment in time and resources, and we continue to invest in our compliance functions to monitor our adherence to the numerous legal and regulatory requirements applicable to our business. Any new laws or regulations applicable to our business, any changes to existing laws or regulations, or any changes to the

interpretations or enforcement of those laws or regulations may affect our operations and/or financial condition. We seek to participate in the development of significant rules and regulations that govern our industry.

As a regulated entity, we are subject to regulatory oversight and inquiries related to, among other items, our compliance and supervisory systems and procedures and other controls, as well as our disclosures, supervision and reporting. For example, in August 2024, the Company received a request for information from the SEC regarding certain elements of the Company's cash management program for corporate advisory accounts, which based on the nature of the request we believe is part of an industry-wide inquiry. The Company has been cooperating with the request. Additional regulation and enhanced regulatory enforcement has resulted, and may result in the future, in changes to our service offerings and additional operational and compliance costs, as well as increased costs in the form of penalties and fines, investigatory and settlement costs, customer restitution and remediation related to regulatory matters. In the ordinary course of business, we periodically identify or become aware of purported inadequacies, deficiencies and other issues. It is our policy to evaluate these matters for potential legal or regulatory violations and other potential compliance issues. It is also our policy to self-report known violations and issues as required by applicable law and regulation. When deemed probable that matters may result in financial losses, we accrue for those losses based on an estimate of possible fines, customer restitution and losses related to the repurchase of sold securities and other losses, as applicable. Certain regulatory and other legal claims and losses may be covered through our wholly-owned captive insurance subsidiary, which is chartered with the insurance commissioner in the state of Tennessee.

Assessing the probability of a loss occurring and the timing and amount of any loss related to a regulatory matter or legal proceeding, whether or not covered by our captive insurance subsidiary, is inherently difficult and requires judgments based on a variety of factors and assumptions. There are particular uncertainties and complexities involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured by our captive insurance subsidiary, which depends in part on historical claims experience, including the actual timing and costs of resolving matters that begin in one policy period and are resolved in a subsequent period.

Our accruals, including those established through our captive insurance subsidiary at September 30, 2024, include estimated costs for significant regulatory matters or legal proceedings, generally relating to the adequacy of our compliance and supervisory systems and procedures and other controls, for which we believe losses are both probable and reasonably estimable.

The outcome of regulatory or legal proceedings could result in legal liability, regulatory fines or monetary penalties in excess of our accruals and insurance, which could have a material adverse effect on our business, results of operations, cash flows or financial condition. For more information on management's loss contingency policies, see Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements.

### **Economic Overview and Impact of Financial Market Events**

Our business is directly and indirectly sensitive to several macroeconomic factors and the state of the financial markets in the United States. According to the most recent estimate from the U.S. Bureau of Economic Analysis, the U.S. economy grew at an annualized pace of 2.8% in the third quarter of 2024 after growing at an annualized pace of 3.0% in the second quarter of 2024. Continued growth during the third quarter of 2024 was driven by strong consumer spending and real GDP growth resulting from the replenishment of inventories that had been drawn down earlier in the year. Businesses added roughly 557,000 jobs in the third quarter of this year, lower than the 802,000 jobs added in the first quarter but more than the 442,000 jobs added in the second quarter. The unemployment rate averaged 4.2% in the third quarter of 2024, up from 4.0% in the second quarter and 3.8% in the first quarter of 2024. The equity markets rose modestly as risk appetite increased after the Federal Reserve ("Fed") cut rates in mid-September by a half of a percentage point. The S&P 500 rose 5.9% and the Bloomberg Barclays U.S. Aggregate Bond Index rose 5.2% respectively during the third quarter of 2024.

Our business is also sensitive to current and expected short-term interest rates, which are largely driven by Fed policy. By the end of the third quarter of 2024, Fed policymakers reduced the target federal funds rate to a range of 4.75% to 5.00%. To the extent they pursue faster easing in monetary policy, the Federal Open Market Committee members will take into account the weakening job market, the inflation trajectory, and global financial conditions.

Please consult the "*Risks Related to Our Business and Industry*" section within Part I, "*Item 1A. Risk Factors*" in our 2023 Annual Report on Form 10-K for more information about the risks associated with significant interest rate changes and the potential related effects on our profitability and financial condition.

## Results of Operations

The following discussion presents an analysis of our results of operations for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
<b>REVENUE</b>						
Advisory	\$ 1,378,050	\$ 1,081,562	27%	\$ 3,866,024	\$ 3,050,184	27%
Commission:						
Sales-based	429,132	311,792	38%	1,237,437	896,825	38%
Trailing	377,400	331,808	14%	1,102,587	973,386	13%
Total commission	806,532	643,600	25%	2,340,024	1,870,211	25%
Asset-based:						
Client cash	353,855	360,518	(2%)	1,047,712	1,157,208	(9%)
Other asset-based	272,336	224,614	21%	780,208	639,387	22%
Total asset-based	626,191	585,132	7%	1,827,920	1,796,595	2%
Service and fee	145,729	135,648	7%	412,901	377,757	9%
Transaction	58,546	50,210	17%	174,739	146,081	20%
Interest income, net	49,923	40,773	22%	140,926	116,103	21%
Other	43,423	(14,542)	n/m	110,222	52,088	112%
Total revenue	3,108,394	2,522,383	23%	8,872,756	7,409,019	20%
<b>EXPENSE</b>						
Advisory and commission	1,948,065	1,488,432	31%	5,500,579	4,307,829	28%
Compensation and benefits	266,415	243,759	9%	814,784	708,972	15%
Promotional	164,538	131,645	25%	427,282	332,433	29%
Depreciation and amortization	78,338	64,627	21%	216,495	179,058	21%
Occupancy and equipment	69,879	61,339	14%	205,672	186,517	10%
Interest expense on borrowings	67,779	48,363	40%	192,202	132,389	45%
Amortization of other intangibles	32,461	27,760	17%	92,620	78,593	18%
Brokerage, clearing and exchange	29,636	24,793	20%	93,152	80,067	16%
Professional services	26,295	18,699	41%	61,674	51,011	21%
Communications and data processing	17,916	19,634	(9%)	57,066	57,903	(1%)
Other	59,724	75,660	(21%)	159,619	143,259	11%
Total expense	2,761,046	2,204,711	25%	7,821,145	6,258,031	25%
INCOME BEFORE PROVISION FOR INCOME TAXES	347,348	317,672	9%	1,051,611	1,150,988	(9%)
PROVISION FOR INCOME TAXES	92,045	93,381	(1%)	263,744	302,293	(13%)
<b>NET INCOME</b>	<b>\$ 255,303</b>	<b>\$ 224,291</b>	<b>14%</b>	<b>\$ 787,867</b>	<b>\$ 848,695</b>	<b>(7%)</b>

**Revenue**

*Advisory*

Advisory revenue represents fees charged to advisors' clients' advisory accounts on our corporate RIA advisory platform and is based on a percentage of the market value of the eligible assets in the clients' advisory accounts. We provide ongoing investment advice and act as a custodian, providing brokerage and execution services on transactions, and perform administrative services for these accounts. Advisory fees are primarily billed to clients on a quarterly basis in advance, and are recognized as revenue ratably during the quarter. The performance obligation for advisory fees is considered a series of distinct services that are substantially the same and are satisfied daily. As the value of the eligible assets in an advisory account is susceptible to changes due to customer activity, this revenue includes variable consideration and is constrained until the date that the fees are determinable. The majority of these client accounts are on a calendar quarter and are billed using values as of the last business day of the preceding quarter. The value of the eligible assets in an advisory account on the billing date is adjusted for estimates of contributions and withdrawals to determine the amount billed, and accordingly, the revenue earned in the following three-month period. Advisory revenue collected on our corporate RIA advisory platform is proposed by the advisor and agreed to by the client and was approximately 1% of the underlying assets for the nine months ended September 30, 2024.

We also support independent RIA firms that conduct their business through our separate registered investment advisor firms ("Independent RIAs") advisory platform, which allows advisors to engage us for technology, clearing and custody services, as well as access the capabilities of our investment platforms. The assets held under an Independent RIA's investment advisory accounts custodied with LPL Financial are included in total advisory assets and net new advisory assets. However, the advisory revenue generated by an Independent RIA is not included in our advisory revenue. We charge separate fees to Independent RIAs for technology, clearing, administrative, oversight and custody services, which may vary and are included in our service and fee revenue in our condensed consolidated statements of income.

The following table summarizes the composition of advisory assets for the periods presented (in billions):

	<b>September 30,</b>			
	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>	<b>% Change</b>
Corporate advisory assets	\$ 618.8	\$ 444.4	\$ 174.4	39%
Independent RIA advisory assets	273.2	218.3	54.9	25%
Total advisory assets	<u>\$ 892.0</u>	<u>\$ 662.7</u>	<u>\$ 229.3</u>	<u>35%</u>

Net new advisory assets are generated throughout the quarter, therefore, the full impact of net new advisory assets to advisory revenue is not realized in the same period. The following table summarizes activity impacting advisory assets for the periods presented (in billions):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance - Beginning of period	\$ 829.1	\$ 661.6	\$ 735.8	\$ 583.1
Net new advisory assets <sup>(1)</sup>	23.7	22.7	66.6	55.4
Market impact <sup>(2)</sup>	39.2	(21.6)	89.6	24.2
Balance - End of period	<u>\$ 892.0</u>	<u>\$ 662.7</u>	<u>\$ 892.0</u>	<u>\$ 662.7</u>

(1) Net new advisory assets consist of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

Advisory revenue increased during the three and nine months ended September 30, 2024 as compared to the same periods in 2023 due primarily to an increase in advisory asset balances and related market impacts.

*Commission*

We generate two types of commission revenue: (1) sales-based commissions that are recognized at the point of sale on the trade date and are based on a percentage of an investment product’s current market value at the time of purchase and (2) trailing commissions that are recognized over time as earned and are generally based on the market value of investment holdings in trail-eligible assets. Sales-based commission revenue, which occurs when clients trade securities or purchase various types of investment products, primarily represents gross commissions generated by our advisors and can vary from period to period based on the overall economic environment, number of trading days in the reporting period and investment activity of our advisors’ clients. We earn trailing commission revenue primarily on mutual funds and variable annuities held by clients of our advisors. See Note 3 - *Revenue*, within the notes to the condensed consolidated financial statements for further detail regarding our commission revenue by product category.

The following table sets forth the components of our commission revenue for the periods presented (in thousands):

	Three Months Ended September 30,			%	Nine Months Ended September 30,			%
	2024	2023	\$ Change		2024	2023	\$ Change	
Sales-based	\$ 429,132	\$ 311,792	\$ 117,340	38%	\$1,237,437	\$ 896,825	\$ 340,612	38%
Trailing	377,400	331,808	45,592	14%	1,102,587	973,386	129,201	13%
Total commission revenue	<u>\$ 806,532</u>	<u>\$ 643,600</u>	<u>\$ 162,932</u>	25%	<u>\$2,340,024</u>	<u>\$1,870,211</u>	<u>\$ 469,813</u>	25%

The increase in sales-based commission revenue for the three and nine months ended September 30, 2024 compared to 2023 was primarily driven by an increase in sales of annuities and fixed income securities as a result of the higher interest rate environment. The increase in trailing commission revenue for the three and nine months ended September 30, 2024 compared to 2023 was primarily due to an increase in sales of annuities and mutual funds in prior periods.

The following table summarizes activity impacting brokerage assets for the periods presented (in billions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance - Beginning of period	\$ 668.7	\$ 578.6	\$ 618.2	\$ 527.7
Net new brokerage assets <sup>(1)</sup>	3.8	10.5	11.5	24.0
Market impact <sup>(2)</sup>	27.6	(13.4)	70.4	24.0
Balance - End of period	<u>\$ 700.1</u>	<u>\$ 575.7</u>	<u>\$ 700.1</u>	<u>\$ 575.7</u>

- (1) Net new brokerage assets consist of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.
- (2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

*Asset-Based*

Asset-based revenue consists of fees from our client cash programs, fees from our sponsorship programs with financial product manufacturers and fees from omnibus processing and networking services (collectively referred to as “recordkeeping”). Client cash revenue is generated on advisors’ clients’ cash balances in insured bank sweep accounts and money market accounts. We also receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing and sales force education and training efforts. Compensation for these performance obligations is either a fixed fee, a percentage of the average annual amount of product sponsor assets held in advisors’ clients’ accounts, a percentage of new sales or a combination. Omnibus processing revenue is paid to us by mutual fund product sponsors or their affiliates and is based on the value of mutual fund assets in accounts for which the Company provides omnibus processing services and the number of accounts in which the related mutual fund positions are held. Networking revenue on brokerage assets is correlated to the number of positions we administer and is paid to us by mutual fund product sponsors and annuity product manufacturers.

Asset-based revenue increased by \$41.1 million and \$31.3 million for the three and nine months ended September 30, 2024, respectively, as compared to 2023, primarily due to increases in other asset-based revenues that offset the decreases in client cash revenues for both the three and nine month periods. Client cash revenue for the three and nine months ended September 30, 2024 decreased compared to 2023 due to lower average client

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cash balances during the three and nine months ended September 30, 2024 as compared to 2023. For the three months ended September 30, 2024, our average client cash balances decreased to \$42.6 billion compared to \$46.0 billion in 2023. For the nine months ended September 30, 2024, our average client cash balances decreased to \$43.3 billion compared to \$50.2 billion in 2023.

### *Service and Fee*

Service and fee revenue is generated from advisor and retail investor services, including technology, insurance, conferences, licensing, business services and planning and advice services, Individual Retirement Account (“IRA”) custodian and other client account fees. We charge separate fees to RIAs on our Independent RIA advisory platform for technology, clearing, administrative, oversight and custody services, which may vary. We also host certain advisor conferences that serve as training, education, sales and marketing events for which we charge sponsors a fee. Service and fee revenue for the three and nine months ended September 30, 2024 increased compared to 2023, primarily due to increases in IRA custodian fees, business services and planning and advice services fees, FINRA fees, and fees relating to error and omission insurance.

### *Transaction*

Transaction revenue includes transaction charges generated in both advisory and brokerage accounts from mutual funds, exchange-traded funds and fixed income products. Transaction revenue for the three and nine months ended September 30, 2024 increased compared to 2023, primarily due to increases in the number of transactions and transaction charges for managed assets.

### *Interest Income, Net*

Interest income is primarily generated from bank deposits, client margin loans, client cash account (“CCA”) balances segregated under federal or other regulations and advisor repayable loans. Interest income, net for the three and nine months ended September 30, 2024 increased compared to 2023 primarily due to increases in interest earned on bank deposits, short-term U.S treasury bills, and margin loans as a result of increases in the related interest-earning asset balances during the periods.

### *Other Revenue*

Other revenue primarily includes unrealized gains and losses on assets held by us in our advisor non-qualified deferred compensation plan and model research portfolios and other miscellaneous revenue, which is not generated from contracts with customers. Other revenue increased for the three and nine months ended September 30, 2024 as compared to 2023 primarily due to higher realized and unrealized gains in our deferred compensation plan.

## **Expense**

### *Advisory and Commission*

Advisory and commission expense consists of the following: payout amounts that are earned by and paid out to advisors and institutions based on advisory and commission revenue earned on each client’s account, production-based bonuses earned by advisors and institutions based on the levels of advisory and commission revenue they produce, compensation and benefits paid to employee advisors, share-based compensation expense from equity awards granted to advisors and institutions based on the fair value of the awards at grant date and the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to our advisors.

The following table sets forth our payout rate, which is a statistical or operating measure, for the periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Payout rate	87.46%	87.30%	16 bps	87.16%	86.75%	41 bps

Our payout rate for the three and nine months ended September 30, 2024 increased compared to 2023, primarily due to the effect of changes in product mix, large bank integrations and pricing changes as compared to the prior periods.

*Compensation and Benefits*

Compensation and benefits expense includes salaries, wages, benefits, share-based compensation and related taxes for our employees, as well as compensation for temporary workers and contractors. The following table sets forth our average number of employees for the periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Average number of employees	9,064	7,825	16%	8,787	7,469	18%

Compensation and benefits expense for the three and nine months ended September 30, 2024 increased by \$22.7 million and \$105.8 million, respectively, compared to 2023, primarily due to an increase in average headcount.

*Promotional*

Promotional expense includes business development costs related to advisor recruitment and retention, costs related to hosting certain advisory conferences that serve as training, sales and marketing events, and other costs that support advisor business growth. Promotional expense for the three and nine months ended September 30, 2024 increased by \$32.9 million and \$94.8 million, respectively, compared to 2023, primarily due to increases in recruited assets and advisors that led to higher costs to support transition assistance and retention and increases in large institutional onboarding costs.

*Depreciation and Amortization*

Depreciation and amortization expense relates to the use of property and equipment, which includes internally developed software, hardware, leasehold improvements and other equipment. Depreciation and amortization expense for the three and nine months ended September 30, 2024 increased by \$13.7 million and \$37.4 million, respectively, compared to 2023, primarily due to our continued investment in technology to support integrations, enhance our advisor platform and experience, and support onboarding of institutions.

*Occupancy and Equipment*

Occupancy and equipment expense includes the costs of leasing and maintaining our office spaces, software licensing and maintenance costs, and maintenance expense on computer hardware and other equipment. Occupancy and equipment expense for the three and nine months ended September 30, 2024 increased by \$8.5 million and \$19.2 million, respectively, compared to 2023, primarily due to increased expense related to software licenses and our technology portfolio.

*Interest Expense on Borrowings*

Interest expense on borrowings includes the interest associated with the Company's senior notes, senior secured Term Loan B ("Term Loan B") and revolving credit facilities; amortization of debt issuance costs; and fees associated with the Company's revolving lines of credit. Interest expense on borrowings for the three and nine months ended September 30, 2024 increased by \$19.4 million and \$59.8 million, respectively, compared to 2023, primarily due to increases as a result of the issuance of \$750.0 million senior notes in November 2023 and \$1.0 billion senior notes in May 2024. See Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information.

*Amortization of Other Intangibles*

Amortization of other intangibles represents the benefits received for the use of long-lived intangible assets established through our acquisitions. Amortization of other intangibles for the three and nine months ended September 30, 2024 increased by \$4.7 million and \$14.0 million, respectively, compared to 2023, primarily due to additional intangible assets acquired from acquisitions.

*Brokerage, Clearing and Exchange*

Brokerage, clearing and exchange expense includes expenses originating from trading or clearing operations as well as any exchange membership fees. These fees fluctuate largely in line with the volume of sales and trading activity. Brokerage, clearing and exchange expense for the three and nine months ended September 30, 2024 increased by \$4.8 million and \$13.1 million, respectively, compared to 2023 primarily due to an increase in the volume of trades and expenses for quote services.

### *Other Expense*

Other expense includes the costs of the investigation, settlement and resolution of regulatory matters (including customer restitution and remediation), licensing fees, insurance, broker-dealer regulatory fees, travel-related expenses, fair value adjustments to contingent consideration liabilities, and other miscellaneous expenses. Other expense depends in part on the size and timing of resolving regulatory matters and the availability of self-insurance coverage, which depends in part on the amount and timing of resolving historical claims. Other expense decreased by \$15.9 million for the three months ended September 30, 2024 primarily as a result of a decrease in regulatory charges recognized in the current period as compared to the same period in 2023. Other expense increased by \$16.4 million for the nine months ended September 30, 2024 primarily due to increases in fair value adjustments to our contingent consideration liabilities offset by a decrease in regulatory charges as compared to the same period in 2023. See Note 4 - *Acquisitions*, within the notes to the condensed consolidated financial statements for additional information.

### *Provision for Income Taxes*

Our effective income tax rate was 26.5% and 29.4% for the three months ended September 30, 2024 and 2023, respectively, and 25.1% and 26.3% for the nine months ended September 30, 2024 and 2023, respectively. The Company's effective income tax rate differs from the federal corporate tax rate of 21.0%, primarily as a result of state taxes, reserves for uncertain tax positions and non-deductible expenses. Our effective income tax rate is reduced by tax benefits received from income tax credits as well as share-based compensation vesting and exercises. The decrease in our effective tax rate for the three and nine months ended September 30, 2024 was primarily driven by lower non-deductible expenses through the third quarter of 2024 as compared to the same periods in the prior year.

### **Liquidity and Capital Resources**

We have established liquidity and capital policies intended to support the execution of strategic initiatives, while meeting regulatory capital requirements and maintaining ongoing and sufficient liquidity. We believe liquidity is of critical importance to the Company and, in particular, to LPL Financial, our primary broker-dealer subsidiary. The objective of our policies is to ensure that we can meet our strategic, operational and regulatory liquidity and capital requirements under both normal operating conditions and under periods of stress in the financial markets.

#### ***Liquidity***

Our liquidity needs are primarily driven by capital requirements at LPL Financial, interest due on our corporate debt and other capital returns to stockholders. Our liquidity needs at LPL Financial are driven primarily by the level and volatility of our client activity. Management maintains a set of liquidity sources and monitors certain business trends and market metrics closely in an effort to ensure we have sufficient liquidity. We believe that based on current levels of cash flows from operations and anticipated growth, together with available cash balances and external liquidity sources, we have adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

#### ***Parent Company Liquidity***

LPL Holdings, Inc. (the "Parent"), the direct holding company of our operating subsidiaries, considers its primary sources of liquidity to be dividends from and excess capital generated by LPL Financial, as well as capacity for additional borrowing under its \$2.25 billion secured revolving credit facility, which it has the ability to borrow against for working capital and general corporate purposes.

Dividends from and excess capital generated by LPL Financial are primarily generated through our cash flow from operations. Subject to regulatory approval or notification, capital generated by regulated subsidiaries can be distributed to the Parent to the extent the capital levels exceed regulatory requirements, Credit Agreement requirements and internal capital thresholds. During the nine months ended September 30, 2024 and 2023, LPL Financial paid dividends of \$410.0 million and \$605.0 million to the Parent, respectively.

We believe Corporate Cash, a component of cash and equivalents, is a useful measure of the Parent's liquidity as it represents the capital available for use in excess of the amount we are required to maintain pursuant to the Credit Agreement. Corporate Cash is the sum of cash and equivalents from the following: (1) cash and equivalents held at the Parent, (2) cash and equivalents held at regulated subsidiaries as defined by the Credit Agreement, which include LPL Financial and The Private Trust Company, N.A. ("PTC"), in excess of the capital requirements of the Credit Agreement (which, in the case of LPL Financial, is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1) and (3) cash and equivalents held at non-regulated subsidiaries.

The following table presents the components of Corporate Cash (in thousands):

	September 30, 2024	December 31, 2023
<b>Cash and equivalents</b>	\$ 1,474,954	\$ 465,671
Cash at regulated subsidiaries	(992,450)	(410,313)
Excess cash at regulated subsidiaries per the Credit Agreement	225,886	128,327
<b>Corporate Cash</b>	<b>\$ 708,390</b>	<b>\$ 183,685</b>
<b>Corporate Cash</b>		
Cash at the Parent	\$ 435,109	\$ 26,587
Excess cash at regulated subsidiaries per the Credit Agreement	225,886	128,327
Cash at non-regulated subsidiaries	47,395	28,771
<b>Corporate Cash</b>	<b>\$ 708,390</b>	<b>\$ 183,685</b>

Corporate Cash is monitored as part of our liquidity risk management strategy, and we target maintaining approximately \$200 million of Corporate Cash to meet our near-term corporate debt obligations. Corporate Cash increased by \$524.7 million during the nine months ended September 30, 2024 primarily as a result of proceeds received from our \$1.0 billion debt issuance in May 2024 offset by the repayment of balances outstanding on our senior secured revolving credit facility. On October 1, 2024, we used a combination of corporate cash on hand and borrowings under our secured revolving credit facility to fund the acquisition of Atria. See Note 4 - *Acquisitions* and Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information.

We actively monitor changes to our liquidity needs caused by general business volumes and price volatility, including higher margin requirements of clearing corporations and exchanges, and stress scenarios involving a sustained market downturn and the persistence of current interest rates. We believe that based on current levels of operations and anticipated growth, our cash flow from operations, together with other available sources of funds, which include five uncommitted lines of credit, the revolving credit facility established through our Credit Agreement and the committed revolving credit facility of LPL Financial, will provide us with adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

We regularly evaluate our existing indebtedness, including potential issuances and refinancing opportunities, based on a number of factors, including our capital requirements, future prospects, contractual restrictions, the availability of refinancing on attractive terms and general market conditions. As of September 30, 2024, the earliest principal maturity date for our corporate debt with outstanding balances is in 2026 and our revolving credit facilities and uncommitted lines of credit mature between 2025 and 2029.

#### *Share Repurchases*

We engage in a share repurchase program that was approved by our Board, pursuant to which we may repurchase our issued and outstanding shares of common stock from time to time. Purchases may be effected in open market or privately negotiated transactions. Our current capital deployment framework remains focused on investing in organic growth first, pursuing acquisitions where appropriate and returning excess capital to stockholders. As a result of our planned acquisition of Atria, we paused share repurchases beginning in the first quarter of 2024. We expect to resume share repurchases in the fourth quarter of 2024. As of September 30, 2024, we had \$830.0 million remaining under our existing share repurchase program. The timing and amount of share repurchases, if any, is determined at our discretion within the constraints of our Credit Agreement, applicable laws and consideration of our general liquidity needs. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our share repurchases.

#### *Common Stock Dividends*

The payment, timing and amount of any dividends are subject to approval by LPLFH's Board, as well as certain limits under our Credit Agreement. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our dividends.

**LPL Financial Liquidity**

LPL Financial relies primarily on client payables to fund margin lending. LPL Financial maintains additional liquidity through external lines of credit totaling \$1.2 billion at September 30, 2024. LPL Financial also maintains a line of credit with the Parent.

**External Liquidity Sources**

The following table presents amounts outstanding and available under our external lines of credit at September 30, 2024 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility <sup>(1)</sup>	LPL Holdings, Inc.	May 2029	\$ —	\$ 2,250
Broker-dealer revolving credit facility	LPL Financial LLC	May 2025	\$ —	\$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	\$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2025	\$ —	\$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	\$ —	\$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	unspecified

(1) The Company borrowed \$910.0 million under its senior secured revolving credit facility on October 1, 2024 to fund the acquisition of Atria. See Note 4 - *Acquisitions*, within the notes to the condensed consolidated financial statements for additional information.

**Capital Resources**

The Company seeks to manage capital levels in support of its business strategy of generating and effectively deploying capital for the benefit of our stockholders.

Our primary requirement for working capital relates to funds we loan to our advisors' clients for trading conducted on margin and funds we are required to maintain for regulatory capital and reserves based on the requirements of our regulators and clearing organizations, which also consider client balances and trading activities. We have several sources of funds that enable us to meet increases in working capital requirements that relate to increases in client margin activities and balances. These sources include cash and equivalents on hand, the committed revolving credit facility of LPL Financial and proceeds from pledging or selling client securities in margin accounts. When an advisor's client purchases securities on margin or uses securities as collateral to borrow from us on margin, we are permitted, pursuant to the applicable securities industry regulations, to pledge, loan or sell securities, up to 140% of the client's margin loan balance, that collateralize those margin accounts.

Our other working capital needs are primarily related to loans we are making to advisors and timing associated with receivables and payables, which we have satisfied in the past from internally generated cash flows.

We may sometimes be required to fund capital requirements necessary to effect client transactions in securities markets and cash sweep balances held at third-party banks that arise from the delayed receipt of client funds. These capital requirements are funded either with internally generated cash flows or, if needed, with funds drawn on our uncommitted lines of credit at LPL Financial or one of our revolving credit facilities.

Our broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital. LPL Financial, our primary broker-dealer subsidiary, computes net capital requirements under the alternative method, which requires firms to maintain minimum net capital equal to the greater of \$250,000 or 2% of aggregate debit balances arising from client transactions.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	September 30, 2024
<b>LPL Financial LLC</b>	
Net capital	\$ 313,331
Less: required net capital	19,441
Excess net capital	<u>\$ 293,890</u>

Payment by our broker-dealer subsidiaries of dividends greater than 10% of their respective excess net capital during any 35-day rolling period requires approval from FINRA. In addition, each broker-dealer subsidiary's ability to pay dividends would be restricted if its net capital would be less than 5% of aggregate customer debit balances.

LPL Financial also acts as an introducing broker-dealer for commodities and futures. Accordingly, its trading activities are subject to the National Futures Association's ("NFA") financial requirements and it is required to maintain net capital that is in excess of or equal to the greatest of NFA's minimum financial requirements. The NFA was designated by the Commodity Futures Trading Commission as LPL Financial's primary regulator for such activities. Currently, the highest NFA requirement is the minimum net capital calculated and required pursuant to the SEC's Uniform Net Capital Rule.

Our subsidiary PTC is also subject to various regulatory capital requirements. Failure to meet the respective minimum capital requirements can result in certain mandatory and discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

**Supplemental Guarantor Financial Information**

The Company filed a registration statement on Form S-3 to register, among other things, non-convertible debt securities that may be offered by LPL Holdings, Inc. (the "Issuer"), a wholly owned subsidiary of LPL Financial Holdings Inc. ("LPLFH" and together with the Issuer, the "Obligor Group"), and full and unconditional guarantees by LPLFH of such debt securities. The debt securities issued by the Issuer pursuant to such registration statement are fully and unconditionally guaranteed by LPLFH. LPLFH is a Delaware holding corporation that manages substantially all of its operations through investments in subsidiaries. See Note 1 - *Organization and Description of the Company* and Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information.

Pursuant to Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended, the following tables present unaudited summarized financial information for the Obligor Group on a combined basis. Balances and transactions between the Obligor Group have been eliminated. Financial information for non-guarantor subsidiaries, which includes all other subsidiaries of the Issuer, has been excluded and intercompany balances and transactions between the Obligor Group and non-guarantor subsidiaries are presented on separate lines. The summarized financial information below should be read in conjunction with the Company's condensed consolidated financial statements contained herein as the summarized financial information for the Obligor Group may not be indicative of results of operations or financial position of the Issuer or LPLFH had they operated as independent entities.

The following tables present the summarized financial information for the periods presented (in thousands):

<b>Combined Summarized Statements of Income</b>	<b>LPL Holdings, Inc. &amp; LPL Financial Holdings Inc.</b>	
	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	
Revenues <sup>(1)</sup>	\$	105,009
Revenues from non-guarantor subsidiaries		16,005
Advisory and commission expense <sup>(1)</sup>		98,342
Interest expense on borrowings		189,303
Expenses from non-guarantor subsidiaries		10,526
Loss before provision for income taxes		(224,486)
Net loss		(168,573)

(1) Revenues primarily include unrealized gains and losses on assets held in the non-qualified deferred compensation plan offered to advisors and employees, while advisory and commission expense includes the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to advisors.

<b>Combined Summarized Statements of Financial Condition</b>	<b>LPL Holdings, Inc. &amp; LPL Financial Holdings Inc.</b>	
	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Cash and equivalents	\$ 435,109	\$ 26,587
Other receivables, net	2,406	2,793
Property and equipment, net	160,420	154,920
Goodwill	1,251,908	1,251,908
Other intangibles, net	74,480	95,461
Receivables from non-guarantor subsidiaries	162,569	153,377
Other assets	1,220,812	1,017,289
Corporate debt and other borrowings, net	4,441,913	3,734,111
Accounts payable and accrued liabilities	87,108	53,817
Payables to non-guarantor subsidiaries	77,638	76,683
Other liabilities	1,111,700	986,274

### Debt and Related Covenants

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- declare dividends, or other distributions to stockholders;
- repurchase equity interests;
- redeem indebtedness that is subordinated in right of payment to certain debt instruments;
- make investments or acquisitions;
- create liens;
- sell assets;
- guarantee indebtedness;
- engage in certain transactions with affiliates;
- enter into agreements that restrict dividends or other payments from subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets.

Our Credit Agreement allows us to pay dividends and distributions or repurchase our common stock only when certain conditions are met. In addition, our revolving credit facility requires us to be in compliance with certain financial covenants as of the last day of each fiscal quarter. The financial covenants require the calculation of Credit Agreement EBITDA, as defined in, and calculated by management in accordance with, the Credit Agreement. The Credit Agreement defines Credit Agreement EBITDA as “Consolidated EBITDA,” which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

As of September 30, 2024, we were in compliance with our Credit Agreement financial covenants, which include a maximum Consolidated Total Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement) or “Leverage Ratio” and a minimum Consolidated EBITDA to Consolidated Interest Expense Ratio (as defined in the Credit Agreement) or “Interest Coverage”. The breach of these financial covenants would be subject to certain equity cure rights. The required ratios under our financial covenants and actual ratios were as follows:

<b>Financial Ratio</b>	<b>September 30, 2024</b>	
	<b>Covenant Requirement</b>	<b>Actual Ratio</b>
Leverage Ratio (Maximum)	4.0	1.61
Interest Coverage (Minimum)	3.0	9.89

Certain restrictive covenants under certain of our Indentures are currently suspended. However, a credit rating downgrade to a below investment grade rating could cause currently suspended restrictive covenants under certain of our Indentures to be automatically reinstated.

See Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information regarding the Credit Agreement.

## **Contractual Obligations**

During the nine months ended September 30, 2024, there were no material changes in our contractual obligations, other than in the ordinary course of business, from those disclosed in our 2023 Annual Report on Form 10-K. See Note 4 - *Acquisitions*, Note 9 - *Corporate Debt and Other Borrowings, Net* and Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements, as well as the Contractual Obligations section within Part II, “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our 2023 Annual Report on Form 10-K, for further detail.

## **Risk Management**

Risk is an inherent part of our business and activities. To effectively manage these risks, we have an enterprise risk management (“ERM”) framework that is designed to facilitate the incorporation of risk assessment into decision-making processes across the Company, enable execution our business strategy, and protect our Company and its franchise. This framework aims to ensure policies and procedures are in place and appropriately designed to identify and manage risk at appropriate levels throughout our organization and within various departments. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our employees and advisors operate within established corporate policies and limits. Please consult the “*Risks Related to Our Technology*” and the “*Risks Related to Our Business and Industry*” sections within Part I, “*Item 1A. Risk Factors*” and the “*Risk Management*” section within Part II, “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our 2023 Annual Report on Form 10-K for more information about our risks, our risk management policies and procedures, the potential related effects on our operations, and our ERM framework.

## **Operational Risk**

Operational Risk is reviewed, monitored and challenged by the Operational Risk Oversight Committee. Operational risk is defined as the risk of loss resulting from failed or inadequate processes or systems, actions by people or external events. Please consult the “*Risk Management*” section within Part II, “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” included in our 2023 Annual Report on Form 10-K for more information about the operational risks that we face.

## **Regulatory and Compliance Risk**

The regulatory environment in which we operate is discussed in detail within Part I, “*Item 1. Business*” in our 2023 Annual Report on Form 10-K. In recent years, and during the periods presented in this Quarterly Report on Form 10-Q, we have observed the SEC, FINRA, the U.S. Department of Labor and state regulators broaden the scope, frequency and depth of their examinations and inquiries to include greater emphasis on the quality, consistency and oversight of our compliance systems and programs. Please consult the “*Risks Related to Our Regulatory Environment*” and the “*Risks Related to Our Business and Industry*” sections within Part I, “*Item 1A. Risk Factors*” in our 2023 Annual Report on Form 10-K for more information about the risks associated with operating within our regulatory environment, pending regulatory matters and the potential related effects on our operations.

## **Critical Accounting Policies and Estimates**

In the notes to our consolidated financial statements and in Part II, “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” included in our 2023 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be most significant in determining our results of operations and financial condition and involve a higher degree of judgment and complexity. There have been no changes to those policies that we consider to be material since the filing of our 2023 Annual Report on Form 10-K. The accounting principles used in preparing our condensed consolidated financial statements conform in all material respects to GAAP.

**Item 1. Financial Statements (unaudited)**

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>REVENUE</b>				
Advisory	\$ 1,378,050	\$ 1,081,562	\$ 3,866,024	\$ 3,050,184
Commission:				
Sales-based	429,132	311,792	1,237,437	896,825
Trailing	377,400	331,808	1,102,587	973,386
Total commission	806,532	643,600	2,340,024	1,870,211
Asset-based:				
Client cash	353,855	360,518	1,047,712	1,157,208
Other asset-based	272,336	224,614	780,208	639,387
Total asset-based	626,191	585,132	1,827,920	1,796,595
Service and fee	145,729	135,648	412,901	377,757
Transaction	58,546	50,210	174,739	146,081
Interest income, net	49,923	40,773	140,926	116,103
Other	43,423	(14,542)	110,222	52,088
Total revenue	3,108,394	2,522,383	8,872,756	7,409,019
<b>EXPENSE</b>				
Advisory and commission	1,948,065	1,488,432	5,500,579	4,307,829
Compensation and benefits	266,415	243,759	814,784	708,972
Promotional	164,538	131,645	427,282	332,433
Depreciation and amortization	78,338	64,627	216,495	179,058
Occupancy and equipment	69,879	61,339	205,672	186,517
Interest expense on borrowings	67,779	48,363	192,202	132,389
Amortization of other intangibles	32,461	27,760	92,620	78,593
Brokerage, clearing and exchange	29,636	24,793	93,152	80,067
Professional services	26,295	18,699	61,674	51,011
Communications and data processing	17,916	19,634	57,066	57,903
Other	59,724	75,660	159,619	143,259
Total expense	2,761,046	2,204,711	7,821,145	6,258,031
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>347,348</b>	<b>317,672</b>	<b>1,051,611</b>	<b>1,150,988</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>92,045</b>	<b>93,381</b>	<b>263,744</b>	<b>302,293</b>
<b>NET INCOME</b>	<b>\$ 255,303</b>	<b>\$ 224,291</b>	<b>\$ 787,867</b>	<b>\$ 848,695</b>
<b>EARNINGS PER SHARE</b>				
Earnings per share, basic	\$ 3.41	\$ 2.95	\$ 10.55	\$ 10.97
Earnings per share, diluted	\$ 3.39	\$ 2.91	\$ 10.45	\$ 10.82
Weighted-average shares outstanding, basic	74,776	76,062	74,688	77,339
Weighted-average shares outstanding, diluted	75,405	77,147	75,424	78,439

See notes to unaudited condensed consolidated financial statements.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Financial Condition**  
(In thousands, except share data)  
(Unaudited)

<b>ASSETS</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Cash and equivalents	\$ 1,474,954	\$ 465,671
Cash and equivalents segregated under federal or other regulations	1,382,867	2,007,312
Restricted cash	104,881	108,180
Receivables from clients, net	622,015	588,585
Receivables from brokers, dealers and clearing organizations	53,763	50,069
Advisor loans, net	1,913,363	1,479,690
Other receivables, net	802,186	743,317
Investment securities	111,096	91,311
Property and equipment, net	1,144,676	933,091
Goodwill	1,868,193	1,856,648
Other intangibles, net	782,426	671,585
Other assets	1,681,455	1,390,021
<b>Total assets</b>	<b>\$ 11,941,875</b>	<b>\$ 10,385,480</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Client payables	\$ 2,039,140	\$ 2,266,176
Payables to brokers, dealers and clearing organizations	211,054	163,337
Accrued advisory and commission expenses payable	252,881	216,541
Corporate debt and other borrowings, net	4,441,913	3,734,111
Accounts payable and accrued liabilities	485,927	485,963
Other liabilities	1,739,209	1,440,373
<b>Total liabilities</b>	<b>9,170,124</b>	<b>8,306,501</b>
Commitments and contingencies (Note 10)		
Common stock, \$0.001 par value; 600,000,000 shares authorized; 130,779,259 shares and 130,233,328 shares issued at September 30, 2024 and December 31, 2023, respectively	131	130
Additional paid-in capital	2,059,207	1,987,684
Treasury stock, at cost — 55,968,552 shares and 55,576,970 shares at September 30, 2024 and December 31, 2023, respectively	(4,102,319)	(3,993,949)
Retained earnings	4,814,732	4,085,114
<b>Total stockholders' equity</b>	<b>2,771,751</b>	<b>2,078,979</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 11,941,875</b>	<b>\$ 10,385,480</b>

See notes to unaudited condensed consolidated financial statements.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(In thousands)  
(Unaudited)

**Three Months Ended September 30, 2023**

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — June 30, 2023	130,142	\$ 130	\$ 1,952,828	53,515	\$ (3,514,364)	\$ 3,683,472	\$ 2,122,066
Net income	—	—	—	—	—	224,291	224,291
Issuance of common stock to settle restricted stock units	43	—	—	4	(820)	—	(820)
Treasury stock purchases	—	—	—	1,079	(252,349)	—	(252,349)
Cash dividends on common stock - \$0.30 per share	—	—	—	—	—	(22,839)	(22,839)
Stock option exercises and other	14	—	800	(18)	662	2,309	3,771
Share-based compensation	—	—	16,468	—	—	—	16,468
BALANCE — September 30, 2023	130,199	\$ 130	\$ 1,970,096	54,580	\$ (3,766,871)	\$ 3,887,233	\$ 2,090,588

**Three Months Ended September 30, 2024**

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — June 30, 2024	130,747	\$ 131	\$ 2,038,216	55,985	\$ (4,101,955)	\$ 4,578,955	\$ 2,515,347
Net income	—	—	—	—	—	255,303	255,303
Issuance of common stock to settle restricted stock units	32	—	—	5	(1,135)	—	(1,135)
Treasury stock purchases	—	—	—	—	—	—	—
Cash dividends on common stock - \$0.30 per share	—	—	—	—	—	(22,435)	(22,435)
Stock option exercises and other	—	—	21	(21)	771	2,909	3,701
Share-based compensation	—	—	20,970	—	—	—	20,970
BALANCE — September 30, 2024	130,779	\$ 131	\$ 2,059,207	55,969	\$ (4,102,319)	\$ 4,814,732	\$ 2,771,751

**Nine Months Ended September 30, 2023**

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2022	129,656	\$ 130	\$ 1,912,886	50,408	\$ (2,846,536)	\$ 3,101,072	\$ 2,167,552
Net income	—	—	—	—	—	848,695	848,695
Issuance of common stock to settle restricted stock units	439	—	—	162	(39,416)	—	(39,416)
Treasury stock purchases	—	—	—	4,062	(882,807)	—	(882,807)
Cash dividends on common stock - \$0.90 per share	—	—	—	—	—	(69,562)	(69,562)
Stock option exercises and other	104	—	4,688	(52)	1,888	7,028	13,604
Share-based compensation	—	—	52,522	—	—	—	52,522
BALANCE — September 30, 2023	130,199	\$ 130	\$ 1,970,096	54,580	\$ (3,766,871)	\$ 3,887,233	\$ 2,090,588

**Nine Months Ended September 30, 2024**

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2023	130,233	\$ 130	\$ 1,987,684	55,577	\$ (3,993,949)	\$ 4,085,114	\$ 2,078,979
Net income	—	—	—	—	—	787,867	787,867
Issuance of common stock to settle restricted stock units	400	—	—	155	(40,453)	—	(40,453)
Treasury stock purchases	—	—	—	296	(70,005)	—	(70,005)
Cash dividends on common stock - \$0.90 per share	—	—	—	—	—	(67,268)	(67,268)
Stock option exercises and other	146	1	6,569	(59)	2,088	9,019	17,677
Share-based compensation	—	—	64,954	—	—	—	64,954
BALANCE — September 30, 2024	130,779	\$ 131	\$ 2,059,207	55,969	\$ (4,102,319)	\$ 4,814,732	\$ 2,771,751

See notes to unaudited condensed consolidated financial statements.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 787,867	\$ 848,695
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	216,495	179,058
Amortization of other intangibles	92,620	78,593
Amortization of debt issuance costs	8,489	6,283
Share-based compensation	64,954	52,522
Provision for credit losses	13,490	11,844
Deferred benefit for income taxes	38	(160)
Loan forgiveness	208,886	156,866
Other	38,260	12,774
Changes in operating assets and liabilities:		
Receivables from clients, net	(32,916)	(19,777)
Receivables from brokers, dealers and clearing organizations	(3,694)	15,195
Advisor loans, net	(649,310)	(414,826)
Other receivables, net	(66,162)	(50,351)
Investment securities - trading	(17,579)	173
Other assets	(203,098)	(98,923)
Client payables	(227,036)	(695,374)
Payables to brokers, dealers and clearing organizations	47,717	(49,055)
Accrued advisory and commission expenses payable	36,340	3,708
Accounts payable and accrued liabilities	(26,207)	(48,257)
Other liabilities	169,061	383,456
Operating leases	(1,848)	(2,381)
Net cash provided by operating activities	456,367	370,063
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(397,008)	(297,435)
Acquisitions, net of cash acquired	(159,410)	(360,584)
Purchases of securities classified as held-to-maturity	(4,769)	(4,725)
Proceeds from maturities of securities classified as held-to-maturity	3,750	4,250
Net cash used in investing activities	(557,437)	(658,494)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from revolving credit facilities	280,000	746,000
Repayments of revolving credit facilities	(560,000)	(334,000)
Repayment of senior secured term loans	(8,025)	(8,025)
Proceeds from senior unsecured notes	998,325	—
Payment of debt issuance costs	(17,332)	(7,182)

Continued on following page



**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF THE COMPANY**

LPL Financial Holdings Inc. (“LPLFH”), a Delaware holding corporation, together with its consolidated subsidiaries (collectively, the “Company”), provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at institutions (collectively, “advisors”) in the United States. Through its custody and clearing platform, using both proprietary and third-party technology, the Company provides access to diversified financial products and services, enabling its advisors to offer personalized financial advice and brokerage services to retail investors (their “clients”). The Company’s most significant, wholly owned subsidiaries are described below:

- LPL Holdings, Inc. (“LPLH” or “Parent”) is an intermediate holding company and directly or indirectly owns 100% of the issued and outstanding common equity interests of all of LPLFH’s indirect subsidiaries, including a captive insurance subsidiary that underwrites insurance for various legal and regulatory risks of the Company.
- LPL Financial LLC (“LPL Financial”), with primary offices in San Diego, California; Fort Mill, South Carolina; Boston, Massachusetts; and Austin, Texas is a clearing broker-dealer and an investment advisor that principally transacts business for its advisors and institutions on behalf of their clients in a broad array of financial products and services. LPL Financial is licensed to operate in all 50 states, Washington D.C., Puerto Rico and the U.S. Virgin Islands.
- LPL Insurance Associates, Inc. operates as an insurance brokerage general agency that offers life and disability insurance products and services for LPL Financial advisors.
- AW Subsidiary, Inc. is a holding company for AdvisoryWorld and Blaze Portfolio Systems LLC (“Blaze”). AdvisoryWorld offers technology products, including proposal generation, investment analytics and portfolio modeling, to both the Company’s advisors and external clients in the wealth management industry. Blaze provides an advisor-facing trading and portfolio rebalancing platform.
- PTC Holdings, Inc. (“PTCH”) is a holding company for The Private Trust Company, N.A. (“PTC”). PTC is chartered as a non-depository limited purpose national bank, providing a wide range of trust, investment management oversight and custodial services for estates and families. PTC, together with its affiliate Fiduciary Trust Company of New Hampshire, also provides Individual Retirement Account (“IRA”) custodial services for LPL Financial.
- LPL Employee Services, LLC and its subsidiary, Allen & Company of Florida, LLC, along with their affiliate Financial Resources Group Investment Services, LLC (“FRGIS”), provide primary support for the Company’s employee advisor affiliation model.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

These unaudited condensed consolidated financial statements (“condensed consolidated financial statements”) are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), which require the Company to make estimates and assumptions regarding the valuation of certain financial instruments, acquisitions, goodwill and other intangibles, allowance for credit losses on receivables, share-based compensation, accruals for liabilities, income taxes, revenue and expense accruals and other matters that affect the condensed consolidated financial statements and related disclosures. The condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the results of operations for the interim periods presented. Actual results could differ from those estimates under different assumptions or conditions and the differences may be material to the condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. The condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the related notes for the year

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

ended December 31, 2023, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

**Recently Issued or Adopted Accounting Pronouncements**

There are no relevant recently issued accounting pronouncements that would materially impact the Company's condensed consolidated financial statements and related disclosures. There were no new accounting pronouncements adopted during the nine months ended September 30, 2024 that materially impacted the Company's condensed consolidated financial statements and related disclosures.

**NOTE 3 - REVENUE**

**Commission**

The following table presents total commission revenue disaggregated by product category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Commission revenue</b>				
Annuities	\$ 481,852	\$ 371,304	\$ 1,387,425	\$ 1,074,210
Mutual funds	193,451	169,318	567,423	499,550
Fixed income	55,707	42,286	157,540	113,736
Equities	36,786	27,414	106,671	80,778
Other	38,736	33,278	120,965	101,937
<b>Total commission revenue</b>	<b>\$ 806,532</b>	<b>\$ 643,600</b>	<b>\$ 2,340,024</b>	<b>\$ 1,870,211</b>

The following table presents sales-based and trailing commission revenue disaggregated by product category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Commission revenue</b>				
<b>Sales-based</b>				
Annuities	\$ 265,955	\$ 183,974	\$ 755,220	\$ 518,690
Fixed income	55,707	42,286	157,540	113,736
Mutual funds	42,310	34,718	128,787	108,626
Equities	36,786	27,414	106,671	80,778
Other	28,374	23,400	89,219	74,995
<b>Total sales-based revenue</b>	<b>\$ 429,132</b>	<b>\$ 311,792</b>	<b>\$ 1,237,437</b>	<b>\$ 896,825</b>
<b>Trailing</b>				
Annuities	\$ 215,897	\$ 187,330	\$ 632,205	\$ 555,520
Mutual funds	151,141	134,600	438,636	390,924
Other	10,362	9,878	31,746	26,942
<b>Total trailing revenue</b>	<b>\$ 377,400</b>	<b>\$ 331,808</b>	<b>\$ 1,102,587</b>	<b>\$ 973,386</b>
<b>Total commission revenue</b>	<b>\$ 806,532</b>	<b>\$ 643,600</b>	<b>\$ 2,340,024</b>	<b>\$ 1,870,211</b>

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Asset-Based**

The following table sets forth asset-based revenue disaggregated by product category (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Asset-based revenue</b>				
Client cash	\$ 353,855	\$ 360,518	\$ 1,047,712	\$ 1,157,208
Sponsorship programs	148,978	118,871	424,766	330,597
Recordkeeping	123,358	105,743	355,442	308,790
<b>Total asset-based revenue</b>	<b>\$ 626,191</b>	<b>\$ 585,132</b>	<b>\$ 1,827,920</b>	<b>\$ 1,796,595</b>

**Service and Fee**

The following table sets forth service and fee revenue disaggregated by recognition pattern (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Service and fee revenue</b>				
Over time <sup>(1)</sup>	\$ 107,603	\$ 101,129	\$ 315,682	\$ 288,745
Point-in-time <sup>(2)</sup>	38,126	34,519	97,219	89,012
<b>Total service and fee revenue</b>	<b>\$ 145,729</b>	<b>\$ 135,648</b>	<b>\$ 412,901</b>	<b>\$ 377,757</b>

- (1) Service and fee revenue recognized over time includes revenue such as error and omission insurance fees, IRA custodian fees, and technology fees.
- (2) Service and fee revenue recognized at a point-in-time includes revenue such as IRA termination fees, account fees, and conference fees.

**Unearned Revenue**

The Company records unearned revenue when cash payments are received or due in advance of the Company's performance obligations, including amounts which are refundable. Unearned revenue increased from \$156.2 million as of December 31, 2023 to \$208.6 million as of September 30, 2024. The increase in unearned revenue for the nine months ended September 30, 2024 is primarily driven by cash payments received or due in advance of satisfying the Company's performance obligations, partially offset by \$155.2 million of revenue recognized during the nine months ended September 30, 2024 that was included in the unearned revenue balance as of December 31, 2023.

The Company receives cash in advance for advisory services to be performed and conferences to be held in future periods. For advisory services, revenue is recognized as the Company provides the administration, brokerage and execution services over time to satisfy the performance obligations. For conference revenue, the Company recognizes revenue as the conferences are held.

**NOTE 4 - ACQUISITIONS**

***Closed on the Acquisition of Atria Wealth Solutions, Inc ("Atria")***

On October 1, 2024, the Company acquired 100% of the outstanding equity of Atria, a wealth management solutions holding company headquartered in New York, for an initial cash payment of approximately \$835 million, including working capital adjustments. In connection with the closing of this acquisition, the Company also funded transition assistance payments to advisors that the Company expects will convert to its platform. The Company used a combination of corporate cash on hand and borrowings under its secured revolving credit facility to fund this acquisition. The Company expects to transition Atria's brokerage and advisory assets to the Company's platform in the middle of 2025. The transaction also includes potential contingent consideration of up to \$230 million based on future retention and up to approximately \$100 million if other milestones, including the conversion of off-platform assets to the Company's platform, are achieved. The Company has funded certain of these through escrow at the

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

closing. Given the recency of the closing, the purchase accounting analysis has not yet been completed. See Note 9 - *Corporate Debt and Other Borrowings, Net* for additional information.

**Other Acquisitions**

During the nine months ended September 30, 2024, the Company completed fifteen acquisitions, fourteen of which were completed under the Liquidity & Succession solution in which the Company buys advisor practices. Certain of these acquisitions have been accounted for as business combinations and certain have been accounted for as asset acquisitions.

*Business Combinations*

The Company accounted for five acquisitions under the acquisition method of accounting for business combinations. Total consideration for these transactions was \$90.8 million, which included \$57.5 million of cash, and liabilities of \$33.3 million for contingent consideration, which represents the acquisition date fair value of the additional cash consideration that may be transferred to the sellers if certain asset growth is achieved in the one to seven years following the closing. This contingent consideration may be settled for amounts up to \$143.3 million in the years following the closing.

The Company made purchase accounting adjustments during the three months ended September 30, 2024 related to acquisitions that were completed during the year and for which the Company's purchase accounting analysis was ongoing. These adjustments resulted in a \$7.1 million decrease in customer relationships and liabilities for contingent consideration, respectively. At September 30, 2024, the Company provisionally allocated \$28.7 million of the purchase price to goodwill and \$62.1 million to client relationships acquired as part of these acquisitions. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes. The client relationships were valued using the income approach and assigned useful lives of 14 years. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

*Asset Acquisitions*

The Company accounted for ten other acquisitions as asset acquisitions. These transactions included total initial consideration of \$104.0 million, including \$48.5 million which was allocated to advisor relationships and \$55.5 million which was allocated to client relationships. These relationships were assigned useful lives of 14 years to 15 years and the related transactions include potential contingent payments of up to \$61.8 million in the years following the closing if certain asset growth is achieved. The Company has not recognized a liability for these contingent payments as the amounts to be paid will be uncertain until a future measurement date. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

**Acquisitions Completed in Prior Periods**

**Acquisition of Financial Resources Group Investment Services, LLC**

On January 31, 2023, the Company acquired Financial Resources Group Investment Services, LLC, a broker-dealer and independent branch office, in order to expand its addressable markets and complement organic growth. The Company accounted for the acquisition under the acquisition method of accounting for business combinations, and total consideration for the transaction was \$189.2 million, which included an initial cash payment of \$143.8 million and a liability of \$45.4 million for contingent consideration. The Company allocated \$129.7 million of the purchase price to goodwill, \$53.5 million to definite-lived intangible assets, \$9.0 million to cash acquired and the remainder to other assets acquired and liabilities assumed as part of the acquisition. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

**Other Acquisitions**

During the year ended December 31, 2023, the Company completed a total of 19 acquisitions under the Liquidity & Succession solution. The Company also completed the acquisition of Boening & Scattergood's Private Client Group on January 31, 2023. Certain of these acquisitions have been accounted for as business combinations and certain have been accounted for as asset acquisitions.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Business Combinations*

The Company accounted for five Liquidity & Succession transactions under the acquisition method of accounting for business combinations during the year ended December 31, 2023. Total consideration for these transactions was \$190.2 million, which included initial consideration of \$147.4 million, including \$140.3 million of cash and a liability of \$42.7 million for contingent consideration. At December 31, 2023, the Company allocated \$84.5 million of the purchase price to goodwill and \$105.7 million to the definite-lived intangible assets acquired as part of these acquisitions. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes.

The Company recorded purchase accounting adjustments during the nine months ended September 30, 2024 related to acquisitions which were completed during the fourth quarter of 2023 and for which the Company's purchase accounting analysis was ongoing. These adjustments resulted in a \$39.4 million increase in customer relationships, a \$9.7 million increase in liabilities for contingent consideration, a \$12.5 million decrease in technology, and a \$17.1 million decrease in goodwill. The intangible assets are comprised primarily of client relationships which were assigned useful lives of 15 years. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

*Asset Acquisitions*

The Company accounted for 15 other acquisitions as asset acquisitions during the year ended December 31, 2023. These transactions included initial consideration of \$180.4 million, including \$142.3 million of which was allocated to client relationships and \$38.1 million of which was allocated to advisor relationships. These transactions include potential contingent payments of up to \$73.1 million in the three years following the closing if certain asset growth is achieved. The Company has not recognized a liability for these contingent payments as the amounts to be paid will be uncertain until a future measurement date. See Note 7 - *Goodwill and Other Intangibles, Net*, for additional information.

**NOTE 5 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* — Quoted prices in active markets for identical assets or liabilities.

*Level 2* — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There have been no transfers of assets or liabilities between these fair value measurement classifications during the nine months ended September 30, 2024 or 2023.

The Company's fair value measurements are evaluated within the fair value hierarchy, based on the nature of inputs used to determine the fair value at the measurement date. At September 30, 2024 and December 31, 2023, the Company had the following financial assets and liabilities that are measured at fair value on a recurring basis:

*Cash Equivalents* — The Company's cash equivalents include money market funds and U.S. government obligations, which are short term in nature with readily determinable values derived from active markets.

*Cash Equivalents Segregated Under Federal or Other Regulations* — The Company's cash equivalents segregated under federal or other regulations include U.S. treasury bills, which are short term in nature with readily determinable values derived from active markets.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Trading Securities and Securities Sold, But Not Yet Purchased* — The Company's trading securities consist of house account model portfolios established and managed for the purpose of benchmarking the performance of its fee-based advisory platforms and temporary positions resulting from the processing of client transactions.

The Company uses prices obtained from independent third-party pricing services to measure the fair value of its trading securities. Prices received from the pricing services are validated when security prices move beyond a certain deviation threshold using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. In general, these quoted prices are derived from active markets for identical assets or liabilities. When quoted prices in active markets for identical assets and liabilities are not available, the quoted prices are based on similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. For negotiable certificates of deposit and treasury securities, the Company utilizes market-based inputs, including observable market interest rates that correspond to the remaining maturities or the next interest reset dates. At September 30, 2024 and December 31, 2023, the Company did not adjust prices received from the independent third-party pricing services.

*Other Assets* — The Company's other assets include: (1) deferred compensation plan assets that are invested in life insurance, money market and other mutual funds, which are actively traded and valued based on quoted market prices; and (2) certain non-traded real estate investment trusts, which are valued using quoted prices for identical or similar securities and other inputs that are observable or can be corroborated by observable market data.

*Fractional Shares* — The Company's investment in fractional shares held by customers is reflected in other assets while the related purchase obligation for such shares is reflected in other liabilities. The Company uses prices obtained from independent third-party pricing services to measure the fair value of its investment in fractional shares held by customers and the related repurchase obligation. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. At September 30, 2024 and December 31, 2023, the Company did not adjust prices received from the independent third-party pricing services.

*Contingent Consideration* — The Company measures contingent consideration liabilities at fair value at the acquisition date, as applicable, and thereafter on a recurring basis using unobservable (Level 3) inputs. These contingent consideration liabilities are reflected in other liabilities. See Note 4 - *Acquisitions* for additional information.

**Level 3 Recurring Fair Value Measurements**

The Company determines the fair value for its contingent consideration obligations using Monte-Carlo simulation and discounted cash flows models. Contingent payments are estimated by applying significant unobservable inputs, including forecasted growth rates applied to project future revenue or asset growth and discount rates which are based on the cost of debt and equity. These projections are measured against the performance targets specified in each respective acquisition agreement, which may include growth in assets under management, net new assets, asset conversion or retention, or revenue growth. Significant increases or decreases in the Company's forecasted growth rates over the measurement period or discount rates would result in a higher or lower fair value measurement.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following tables summarize inputs used in the measurement of contingent consideration (dollars in thousands):

<b>Quantitative Information About Level 3 Fair Value Measurements</b>						
<b>September 30, 2024</b>	<b>Type</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range</b>		
\$ 136,794	Contingent Consideration	Monte-Carlo Simulation Model	Forecasted Growth Rates	12.0 % -	29.5 %	
			Discount Rate	12.6 % -	16.6 %	
			Equivalency Rate <sup>(1)</sup>	5.8 % -	5.8 %	
<u>\$ 136,794</u>						

(1) Equivalency rate is defined as the prevailing market interest rate used to discount future payments.

<b>Quantitative Information About Level 3 Fair Value Measurements</b>						
<b>December 31, 2023</b>	<b>Type</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range</b>		
\$ 114,844	Contingent Consideration	Monte-Carlo Simulation Model	Forecasted Growth Rates	12.0 % -	29.5 %	
			Discount Rate	13.6 % -	15.7 %	
4,000	Contingent Consideration	Discounted Cash Flow Model	Discount Rate	9.3 % -	9.3 %	
<u>\$ 118,844</u>						

The following table summarizes the changes in fair value for the Company's Level 3 liabilities during the periods presented (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance - Beginning of period	\$ 129,848	\$ 49,387	\$ 118,844	\$ 3,860
Additions	2,598	—	42,978	45,387
Payments	(1,500)	—	(55,500)	—
Fair value adjustments	5,848	—	30,472	140
Balance - End of period	<u>\$ 136,794</u>	<u>\$ 49,387</u>	<u>\$ 136,794</u>	<u>\$ 49,387</u>

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Recurring Fair Value Measurements**

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

<b>September 30, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash equivalents	\$ 198	\$ —	\$ —	\$ 198
Cash equivalents segregated under federal or other regulations	596,416	—	—	596,416
Restricted cash	98,341	—	—	98,341
Investment securities — trading:				
Mutual funds	16,556	—	—	16,556
U.S. treasury obligations	77,772	—	—	77,772
Equity securities	9	—	—	9
Money market funds	109	—	—	109
Debt securities	—	248	—	248
Total investment securities — trading	94,446	248	—	94,694
Other assets:				
Deferred compensation plan	830,539	—	—	830,539
Fractional shares — investment <sup>(1)</sup>	233,790	—	—	233,790
Other investments	—	4,189	—	4,189
Total other assets:	1,064,329	4,189	—	1,068,518
Total assets at fair value	<u>\$ 1,853,730</u>	<u>\$ 4,437</u>	<u>\$ —</u>	<u>\$ 1,858,167</u>
<b>Liabilities</b>				
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	\$ 44	\$ —	\$ —	\$ 44
Mutual funds	1	—	—	1
Total securities sold, but not yet purchased	45	—	—	45
Fractional shares — repurchase obligation <sup>(1)</sup>	233,790	—	—	233,790
Contingent consideration	—	—	136,794	136,794
Total other liabilities	233,835	—	136,794	370,629
Total liabilities at fair value	<u>\$ 233,835</u>	<u>\$ —</u>	<u>\$ 136,794</u>	<u>\$ 370,629</u>

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's dividend reinvestment program ("DRIP").

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ 166	\$ —	\$ —	\$ 166
Cash equivalents segregated under federal or other regulations	720,077	—	—	720,077
Restricted cash	103,226	—	—	103,226
Investment securities — trading:				
Mutual funds	50,518	—	—	50,518
U.S. treasury obligations	25,388	—	—	25,388
Money market funds	107	—	—	107
Equity securities	43	—	—	43
Debt securities	—	32	—	32
Total investment securities — trading	76,056	32	—	76,088
Other assets:				
Deferred compensation plan	677,548	—	—	677,548
Fractional shares — investment <sub>(1)</sub>	177,131	—	—	177,131
Other investments	—	3,960	—	3,960
Total other assets	854,679	3,960	—	858,639
Total assets at fair value	\$ 1,754,204	\$ 3,992	\$ —	\$ 1,758,196
<b>Liabilities</b>				
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	\$ 487	\$ —	\$ —	\$ 487
Mutual funds	55	—	—	55
Total securities sold, but not yet purchased	542	—	—	542
Fractional shares — repurchase obligation <sub>(1)</sub>	177,131	—	—	177,131
Contingent consideration	—	—	118,844	118,844
Total other liabilities	177,673	—	118,844	296,517
Total liabilities at fair value	\$ 177,673	\$ —	\$ 118,844	\$ 296,517

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Fair Value of Financial Instruments Not Measured at Fair Value**

The following tables summarize the carrying values, fair values and fair value hierarchy level classification of financial instruments that are not measured at fair value (in thousands):

<b>September 30, 2024</b>	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
<b>Assets</b>					
Cash	\$ 1,474,756	\$ 1,474,756	\$ —	\$ —	\$ 1,474,756
Cash segregated under federal or other regulations	786,451	786,451	—	—	786,451
Restricted cash	6,540	6,540	—	—	6,540
Receivables from clients, net	622,015	—	622,015	—	622,015
Receivables from brokers, dealers and clearing organizations	53,763	—	53,763	—	53,763
Advisor repayable loans, net <sup>(1)</sup>	358,043	—	—	275,358	275,358
Other receivables, net	802,186	—	802,186	—	802,186
Investment securities — held-to-maturity securities	16,402	—	16,514	—	16,514
Other assets:					
Securities borrowed	6,734	—	6,734	—	6,734
Deferred compensation plan <sup>(2)</sup>	9,203	9,203	—	—	9,203
Other investments <sup>(3)</sup>	6,034	—	6,034	—	6,034
Total other assets	21,971	9,203	12,768	—	21,971
<b>Liabilities</b>					
Client payables	\$ 2,039,140	\$ —	\$ 2,039,140	\$ —	\$ 2,039,140
Payables to brokers, dealers and clearing organizations	211,054	—	211,054	—	211,054
Corporate debt and other borrowings, net	4,441,913	—	4,491,906	—	4,491,906
<b>December 31, 2023</b>					
<b>Assets</b>					
Cash	\$ 465,505	\$ 465,505	\$ —	\$ —	\$ 465,505
Cash segregated under federal or other regulations	1,287,235	1,287,235	—	—	1,287,235
Restricted cash	4,954	4,954	—	—	4,954
Receivables from clients, net	588,585	—	588,585	—	588,585
Receivables from brokers, dealers and clearing organizations	50,069	—	50,069	—	50,069
Advisor repayable loans, net <sup>(1)</sup>	340,985	—	—	236,888	236,888
Other receivables, net	743,317	—	743,317	—	743,317
Investment securities - held-to-maturity securities	15,223	—	15,079	—	15,079
Other assets:					
Securities borrowed	4,334	—	4,334	—	4,334
Deferred compensation plan <sup>(2)</sup>	6,217	6,217	—	—	6,217
Other investments <sup>(3)</sup>	4,695	—	4,695	—	4,695
Total other assets	15,246	6,217	9,029	—	15,246
<b>Liabilities</b>					
Client payables	\$ 2,266,176	\$ —	\$ 2,266,176	\$ —	\$ 2,266,176
Payables to brokers, dealers and clearing organizations	163,337	—	163,337	—	163,337
Corporate debt and other borrowings, net	3,734,111	—	3,680,199	—	3,680,199

(1) Includes repayable loans and forgivable loans which have converted to repayable upon advisor termination or change in agreed upon terms.

(2) Includes cash balances awaiting investment or distribution to plan participants.

(3) Other investments include Depository Trust Company common shares and Federal Reserve stock.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 6 - INVESTMENT SECURITIES**

The Company's investment securities include debt and equity securities that the Company has classified as trading securities, which are carried at fair value, as well as investments in U.S. government notes, which are held by The Private Trust Company, N.A. to satisfy minimum capital requirements of the OCC. These securities are recorded at amortized cost and classified as held-to-maturity as the Company has both the intent and ability to hold these investments to maturity.

The following table summarizes investment securities (in thousands):

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Trading securities — at fair value:</b>		
Mutual funds	\$ 16,556	\$ 50,518
U.S. treasury obligations	77,772	25,388
Equity securities	9	43
Money market funds	109	107
Debt securities	248	32
Total trading securities	<u>\$ 94,694</u>	<u>\$ 76,088</u>
<b>Held-to-maturity securities — at amortized cost:</b>		
U.S. government notes	\$ 16,402	\$ 15,223
Total held-to-maturity securities	<u>\$ 16,402</u>	<u>\$ 15,223</u>
Total investment securities	<u>\$ 111,096</u>	<u>\$ 91,311</u>

At September 30, 2024, the held-to-maturity securities were scheduled to mature as follows (in thousands):

	<b>Within one year</b>	<b>After one but within five years</b>	<b>After five but within ten years</b>	<b>After ten years</b>	<b>Total</b>
U.S. government notes — at amortized cost	\$ 1,247	\$ 15,155	\$ —	\$ —	\$ 16,402
U.S. government notes — at fair value	\$ 1,245	\$ 15,269	\$ —	\$ —	\$ 16,514

**NOTE 7 - GOODWILL AND OTHER INTANGIBLES, NET**

A summary of the activity impacting goodwill is presented below (in thousands):

Balance at December 31, 2022	\$ 1,642,468
Goodwill acquired	214,180
Balance at December 31, 2023	1,856,648
Purchase accounting adjustments	(17,123)
Goodwill acquired	28,668
Balance at September 30, 2024	<u>\$ 1,868,193</u>

The Company completed various acquisitions, which were accounted for under the acquisition method of accounting for business combinations and as asset acquisitions, and recorded purchase accounting adjustments during the periods presented. See Note 4 - *Acquisitions*, for additional information.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The components of other intangibles, net were as follows at September 30, 2024 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
<b>Definite-lived intangibles, net<sup>(1)</sup>:</b>				
Advisor and institution relationships	8.2	\$ 985,113	\$ (670,507)	\$ 314,606
Product sponsor relationships	1.5	234,086	(217,982)	16,104
Client relationships	12.7	479,941	(76,501)	403,440
Technology	8.0	20,930	(12,473)	8,457
Total definite-lived intangible assets, net		<u>\$ 1,720,070</u>	<u>\$ (977,463)</u>	<u>\$ 742,607</u>
<b>Other indefinite-lived intangibles:</b>				
Trademark and trade name				39,819
Total other intangibles, net				<u>\$ 782,426</u>

(1) During the nine months ended September 30, 2024, the Company completed various acquisitions. See Note 4 - *Acquisitions*, for additional information.

The components of other intangibles, net were as follows at December 31, 2023 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
<b>Definite-lived intangibles, net<sup>(1)</sup>:</b>				
Advisor and institution relationships	7.3	\$ 935,478	\$ (614,277)	\$ 321,201
Product sponsor relationships	2.2	234,086	(209,076)	25,010
Client relationships	12.6	313,585	(51,328)	262,257
Technology	8.7	33,460	(10,162)	23,298
Total definite-lived intangibles, net		<u>\$ 1,516,609</u>	<u>\$ (884,843)</u>	<u>\$ 631,766</u>
<b>Other indefinite-lived intangibles:</b>				
Trademark and trade name				39,819
Total other intangibles, net				<u>\$ 671,585</u>

(1) During the year ended December 31, 2023, the Company completed various acquisitions. See Note 4 - *Acquisitions*, for additional information.

Total amortization of other intangibles was \$32.5 million and \$27.8 million for the three months ended September 30, 2024 and 2023, respectively, and \$92.6 million and \$78.6 million for the nine months ended September 30, 2024 and 2023, respectively. Future amortization is estimated as follows (in thousands):

2024 - remainder	\$ 30,977
2025	115,663
2026	77,406
2027	72,257
2028	66,466
Thereafter	379,838
<b>Total</b>	<u>\$ 742,607</u>

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 8 - OTHER ASSETS AND OTHER LIABILITIES**

The components of other assets and other liabilities were as follows (dollars in thousands):

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>Other assets:</b>		
Deferred compensation	\$ 839,742	\$ 683,765
Prepaid assets	124,445	173,039
Fractional shares — investment <sup>(1)</sup>	233,790	177,131
Deferred tax assets, net	167,412	167,450
Operating lease assets	105,401	93,797
Debt issuance costs, net	15,410	9,065
Other	195,255	85,774
Total other assets	<u>\$ 1,681,455</u>	<u>\$ 1,390,021</u>
<b>Other liabilities:</b>		
Deferred compensation	\$ 838,185	\$ 684,178
Unearned revenue <sup>(2)</sup>	208,613	156,214
Fractional shares — repurchase obligation <sup>(1)</sup>	233,790	177,131
Operating lease liabilities	133,232	123,477
Finance lease liabilities	105,218	105,465
Taxes payable	65,330	24,522
Contingent consideration	136,794	118,844
Other	18,047	50,542
Total other liabilities	<u>\$ 1,739,209</u>	<u>\$ 1,440,373</u>

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

(2) See Note 3 - *Revenue* for further information.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 9 - CORPORATE DEBT AND OTHER BORROWINGS, NET**

The Company's outstanding corporate debt and other borrowings, net were as follows (in thousands):

Corporate Debt	September 30, 2024			December 31, 2023			Maturity
	Balance	Applicable Margin	Interest Rate	Balance	Applicable Margin	Interest rate	
Term Loan B <sup>(1)</sup>	\$ 1,019,175	SOFR+185 bps	7.051 %	\$ 1,027,200	SOFR+185 bps	7.206 %	11/12/2026
2027 Senior Notes <sup>(1)</sup>	500,000	Fixed Rate	5.700 %	—	—	— %	5/20/2027
2027 Senior Notes <sup>(1)</sup>	400,000	Fixed Rate	4.625 %	400,000	Fixed Rate	4.625 %	11/15/2027
2028 Senior Notes <sup>(1)</sup>	750,000	Fixed Rate	6.750 %	750,000	Fixed Rate	6.750 %	11/17/2028
2029 Senior Notes <sup>(1)</sup>	900,000	Fixed Rate	4.000 %	900,000	Fixed Rate	4.000 %	3/15/2029
2031 Senior Notes <sup>(1)</sup>	400,000	Fixed Rate	4.375 %	400,000	Fixed Rate	4.375 %	5/15/2031
2034 Senior Notes <sup>(1)</sup>	500,000	Fixed Rate	6.000 %	—	—	— %	5/20/2034
Total Corporate Debt	4,469,175			3,477,200			
Less: Unamortized Debt Issuance Cost	(27,262)			(23,089)			
Corporate debt, net	\$ 4,441,913			\$ 3,454,111			
<b>Other Borrowings</b>							
Revolving Credit Facility	—	ABR+37.5 bps / SOFR+147.5 bps	6.321 %	280,000	ABR+37.5 bps / SOFR+147.5 bps	6.966 %	5/20/2029
Total other borrowings	\$ —			\$ 280,000			
<b>Corporate Debt and Other Borrowings, Net</b>	<b>\$ 4,441,913</b>			<b>\$ 3,734,111</b>			

(1) No leverage or interest coverage maintenance covenants.

The following table presents amounts outstanding and available under the Company's external lines of credit at September 30, 2024 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility <sup>(1)</sup>	LPL Holdings, Inc.	May 2029	\$ —	\$ 2,250
Broker-dealer revolving credit facility	LPL Financial LLC	May 2025	\$ —	\$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	\$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2025	\$ —	\$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	\$ —	\$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	\$ —	unspecified

(1) The Company borrowed \$910.0 million under its senior secured revolving credit facility on October 1, 2024 to fund the acquisition of Atria. See Note 4 - *Acquisitions*, for additional information.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Issuance of 2027 Senior Notes and 2034 Senior Notes*

On May 20, 2024, LPLH issued \$500.0 million in aggregate principal amount of 5.700% senior notes due 2027 (“2027 Senior Notes”) and \$500.0 million in aggregate principal amount of 6.000% senior notes due 2034 (the “2034 Senior Notes” and, together with the 2027 Notes, the “Senior Notes”). The Senior Notes are unsecured obligations of the Company and are fully and unconditionally guaranteed on a senior unsecured basis by LPLFH. The Company used a portion of the proceeds from the issuance to repay borrowings made under its senior secured revolving credit facility and intends to use a portion of the proceeds to finance the Atria acquisition.

The 2027 Senior Notes will mature on May 20, 2027, and interest is payable semi-annually. The Company may redeem all or part of the 2027 Senior Notes on or prior to April 20, 2027 at a redemption price that is equal to the greater of: (i) the remaining scheduled payments of principal and interest discounted at the Treasury Rate (as defined in the Second Supplemental Indenture dated May 20, 2024) plus 20 basis points less interest accrued to the redemption date, and (ii) 100% of the principal amount of the 2027 Senior Notes to be redeemed plus accrued interest. On or after April 20, 2027, the Company may redeem the 2027 Senior Notes at 100% of the principal amount of the notes to be redeemed plus accrued interest.

The 2034 Senior Notes will mature on May 20, 2034 and interest is payable semi-annually. The Company may redeem all or part of the 2034 Senior Notes on or prior to February 20, 2034 at a redemption price that is equal to the greater of: (i) the remaining scheduled payments of principal and interest discounted at the Treasury Rate (as defined in the Third Supplemental Indenture dated May 20, 2024) plus 25 basis points less interest accrued to the redemption date, and (ii) 100% of the principal amount of the 2034 Senior Notes to be redeemed plus accrued interest. On or after February 20, 2034, the Company may redeem the 2034 Senior Notes at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

In connection with the issuance of the Senior Notes, the Company incurred \$7.1 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

*Issuance of 2028 Senior Notes*

LPLH issued \$750.0 million in aggregate principal amount of 6.750% senior notes on November 17, 2023 at 99.929% (“2028 Senior Notes”). The 2028 Senior Notes are unsecured obligations that will mature on November 17, 2028, and are fully and unconditionally guaranteed on a senior unsecured basis by LPLFH. The Company used the proceeds from the issuance to repay borrowings made under its senior secured revolving credit facility and for general corporate purposes. In connection with the issuance of the 2028 Senior Notes, the Company incurred \$6.3 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

*Credit Agreement and Parent Revolving Credit Facility*

On March 13, 2023, LPLFH and LPLH entered into a sixth amendment agreement to the Company’s amended and restated credit agreement (the “Credit Agreement”), which, among other things, replaced LIBOR with SOFR.

On May 20, 2024, LPLH amended its revolving credit facility to, among other things, increase the maximum borrowing from \$2.0 billion to \$2.25 billion and extend the maturity of the revolving credit facility to May 2029. In connection with the amendment of the credit facility, LPLH incurred \$8.6 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of September 30, 2024, the Company was in compliance with such covenants.

*Broker-Dealer Revolving Credit Facility*

On May 20, 2024, LPL Financial, the Company’s broker-dealer subsidiary, renewed its revolving credit facility to extend the maturity of the revolving credit facility to May 2025. The revolving credit facility allows for a maximum borrowing of up to \$1.0 billion and borrowings under the credit facility bear interest at a rate per annum equal to 1.25% per annum plus the greatest of (i) SOFR plus 0.10%, (ii) the effective federal funds rate and (iii) the overnight bank funding rate, in each case, as such rate is administered or determined by the Federal Reserve Bank of New York from time to time. In connection with the renewal of the credit facility, LPL Financial incurred \$1.6 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition. The broker-dealer credit agreement subjects LPL Financial to certain financial and non-financial covenants. LPL Financial was in compliance with such covenants as of September 30, 2024.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Other External Lines of Credit*

LPL Financial maintained five uncommitted lines of credit as of September 30, 2024. Two of the lines have unspecified limits, which are primarily dependent on LPL Financial's ability to provide sufficient collateral. The other three lines have a total limit of \$200.0 million, of which \$125.0 million is uncollateralized. There were no balances outstanding under these lines at September 30, 2024 or December 31, 2023.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

***Service and Development Contracts***

The Company is party to certain long-term contracts for systems and services that enable back-office trade processing and clearing for its product and service offerings.

***Guarantees***

The Company occasionally enters into contracts that contingently require it to indemnify certain parties against third-party claims. The terms of these obligations vary and, because a maximum obligation is not explicitly stated, the Company has determined that it is not possible to make an estimate of the amount that it could be obligated to pay under such contracts.

LPL Financial provides guarantees to securities clearing houses and exchanges under their standard membership agreements, which require a member to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearing houses and exchanges, all other members would be required to meet any shortfall. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these agreements is remote. Accordingly, no liability has been recognized for these transactions.

***Loan Commitments***

From time to time, LPL Financial makes loans to advisors and institutions, primarily to newly recruited advisors and institutions to assist in the transition process, which may be forgivable. Due to timing differences, LPL Financial may make commitments to issue such loans prior to actually funding them. These commitments are generally contingent upon certain events occurring, including but not limited to the advisor or institution joining LPL Financial. LPL Financial had no significant unfunded loan commitments at September 30, 2024 or December 31, 2023.

***Legal and Regulatory Matters***

The Company is subject to extensive regulation and supervision by U.S. federal and state agencies and various self-regulatory organizations. The Company and its advisors periodically engage with such agencies and organizations, in the context of examinations or otherwise, to respond to inquiries, informational requests and investigations. From time to time, such engagements result in regulatory complaints or other matters, the resolution of which has in the past and may in the future include fines, customer restitution and other remediation. Assessing the probability of a loss occurring and the timing and amount of any loss related to a legal proceeding or regulatory matter is inherently difficult. While the Company exercises significant and complex judgments to make certain estimates presented in its condensed consolidated financial statements, there are particular uncertainties and complexities involved when assessing the potential outcomes of legal proceedings and regulatory matters. The Company's assessment process considers a variety of factors and assumptions, which may include: the procedural status of the matter and any recent developments; prior experience and the experience of others in similar matters; the size and nature of potential exposures; available defenses; the progress of fact discovery; the opinions of counsel and experts; or the potential opportunities for settlement and the status of any settlement discussions. The Company monitors these factors and assumptions for new developments and re-assesses the likelihood that a loss will occur and the estimated range or amount of loss, if those amounts can be reasonably determined. The Company has established an accrual for those legal proceedings and regulatory matters for which a loss is both probable and the amount can be reasonably estimated.

In February 2023, the Company received a request for information from the SEC in connection with an investigation of certain elements of the Company's Anti-Money Laundering compliance program. Subject to the negotiation of the final terms, the Company has reached an agreement in principle with the SEC to resolve the matter, under which

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

the Company would pay an \$18.0 million civil monetary penalty. As a result, the Company recorded \$18.0 million in other expense in the condensed consolidated statements of income for the three and nine months ending September 30, 2024. The Company and the SEC continue to negotiate the final terms of the potential settlement.

In October 2022, the Company received a request for information from the SEC in connection with an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. In 2023, the SEC proposed a potential settlement, under which the Company would pay a \$50.0 million civil monetary penalty. As a result, the Company recorded \$40.0 million in other expense in the consolidated statements of income for the year ended December 31, 2023 to reflect the amount of the penalty that is not covered by the Company's captive insurance subsidiary. The Company reached a settlement with the staff of the SEC to resolve its civil investigation and paid the civil monetary penalty of \$50.0 million in August 2024.

In July 2024, putative class action lawsuits were filed against LPL Financial in federal district court alleging certain violations of law in connection with its cash sweep programs. The Company intends to defend vigorously against the lawsuits.

In August 2024, the Company received a request for information from the SEC regarding certain elements of the Company's cash management program for corporate advisory accounts. The Company has been cooperating with the request.

#### *Third-Party Insurance*

The Company maintains third-party insurance coverage for certain potential legal proceedings, including those involving certain client claims. With respect to such client claims, the estimated losses on many of the pending matters are less than the applicable deductibles of the insurance policies.

#### *Self-Insurance*

The Company has self-insurance for certain potential liabilities through its captive insurance subsidiary. Liabilities associated with the risks that are retained by the Company are not discounted and are estimated by considering, in part, historical claims experience, severity factors, and actuarial assumptions and estimates. The estimated accruals for these potential liabilities could be significantly affected if future occurrences and claims differ from such assumptions and historical trends, so there are particular complexities and uncertainties involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured. Self-insurance liabilities are included in accounts payable and accrued liabilities in the condensed consolidated statements of financial condition. Self-insurance related charges are included in other expense in the condensed consolidated statements of income.

The following table provides a reconciliation of the beginning and ending balances of self-insurance liabilities for the periods presented (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Beginning balance — January 1	\$ 82,883	\$ 74,071
Losses incurred	27,724	27,140
Losses paid	(35,562)	(17,659)
Ending balance — September 30	<u>\$ 75,045</u>	<u>\$ 83,552</u>

#### **Other Commitments**

As of September 30, 2024, the Company had approximately \$525.9 million of client margin loans that were collateralized with securities having a fair value of approximately \$736.2 million that LPL Financial can repledge, loan or sell. Of these securities, approximately \$365.3 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of September 30, 2024, there were no restrictions that materially limited the Company's ability to repledge, loan or sell the remaining \$370.9 million of client collateral.

Investment securities on the condensed consolidated statements of financial condition include \$8.4 million and \$5.5 million of trading securities pledged to the Options Clearing Corporation at September 30, 2024 and December 31,

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

2023, respectively, and \$19.7 million and \$19.9 million of trading securities pledged to the National Securities Clearing Corporation at September 30, 2024 and December 31, 2023, respectively.

**NOTE 11 - STOCKHOLDERS' EQUITY**

***Dividends***

The payment, timing and amount of any dividends are subject to approval by the Company's Board of Directors (the "Board") as well as certain limits under the Credit Agreement. Cash dividends per share of common stock and total cash dividends paid on a quarterly basis were as follows (in millions, except per share data):

	2024		2023	
	Dividend per Share	Total Cash Dividend	Dividend per Share	Total Cash Dividend
First quarter	\$ 0.30	\$ 22.4	\$ 0.30	\$ 23.6
Second quarter	\$ 0.30	\$ 22.4	\$ 0.30	\$ 23.1
Third quarter	\$ 0.30	\$ 22.4	\$ 0.30	\$ 22.8

***Share Repurchases***

The Company engages in a share repurchase program that was approved by the Board, pursuant to which LPLFH may repurchase its issued and outstanding shares of common stock from time to time. Repurchased shares are included in treasury stock on the condensed consolidated statements of financial condition.

During the nine months ended September 30, 2024 LPLFH repurchased 296,145 shares of common stock at a weighted-average price of \$236.39 for a total of \$70.0 million. As of September 30, 2024, the Company had \$830.0 million remaining under the existing share repurchase program. As a result of the Company's planned acquisition of Atria, the Company paused share repurchases during the first quarter of 2024. The Company expects to resume share repurchases in the fourth quarter of 2024. Future share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement and the Company's general working capital needs.

**NOTE 12 - SHARE-BASED COMPENSATION**

In May 2021, the Company adopted its 2021 Omnibus Equity Incentive Plan (the "2021 Plan"), which provides for the granting of stock options, warrants, restricted stock awards, restricted stock units, deferred stock units, performance stock units and other equity-based compensation to the Company's employees, non-employee directors and other service providers. The 2021 Plan serves as the successor to the Company's 2010 Omnibus Equity Incentive Plan (the "2010 Plan"). Following the adoption of the 2021 Plan, the Company is no longer making grants under the 2010 Plan, and the 2021 Plan is the only plan under which equity awards are granted. However, awards previously granted under the 2010 Plan will remain outstanding until vested, exercised or forfeited, as applicable.

There were 17,754,197 shares authorized for grant under the 2021 Plan and 11,682,952 shares remaining available for future issuance at September 30, 2024.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
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**Stock Options and Warrants**

The Company has not granted stock options or warrants since 2019. The following table summarizes the Company's stock option and warrant activity as of and for the nine months ended September 30, 2024:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2023	546,820	\$ 54.81		
Granted	—	\$ —		
Exercised	(138,012)	\$ 47.17		
Forfeited and Expired	—	\$ —		
Outstanding — September 30, 2024	<u>408,808</u>	\$ 57.39	3.06	\$ 71,639
Exercisable — September 30, 2024	<u>408,808</u>	\$ 57.39	3.06	\$ 71,639
Exercisable and expected to vest — September 30, 2024	<u>408,808</u>	\$ 57.39	3.06	\$ 71,639

The following table summarizes information about outstanding stock options and warrants as of September 30, 2024:

Range of Exercise Prices	Outstanding			Exercisable	
	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Life (Years)	Number of Shares	Weighted- Average Exercise Price
\$19.85 - \$25.00	58,581	\$ 19.85	1.40	58,581	\$ 19.85
\$25.01 - \$35.00	—	\$ —	0.00	—	\$ —
\$35.01 - \$45.00	81,863	\$ 39.48	2.33	81,863	\$ 39.48
\$45.01 - \$65.00	6,332	\$ 45.55	0.43	6,332	\$ 45.55
\$65.01 - \$75.00	127,691	\$ 65.50	3.23	127,691	\$ 65.50
\$75.01 - \$80.00	134,341	\$ 77.53	4.19	134,341	\$ 77.53
	<u>408,808</u>	\$ 57.39	3.06	<u>408,808</u>	\$ 57.39

The Company recognized no share-based compensation expense related to the vesting of stock options awarded to employees and officers during the three and nine months ended September 30, 2024 and 2023. As of September 30, 2024, there was no unrecognized compensation cost related to non-vested stock options.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Restricted Stock and Stock Units**

The following summarizes the Company's activity in its restricted stock awards and stock units, which include restricted stock units, deferred stock units and performance stock units, as of and for the nine months ended September 30, 2024:

	Restricted Stock Awards		Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Units	Weighted-Average Grant-Date Fair Value
Outstanding — December 31, 2023	1,568	\$ 187.93	776,604	\$ 205.75
Granted	7,803	\$ 268.64	446,038	\$ 258.59
Vested	(3,080)	\$ 227.55	(400,116)	\$ 189.00
Forfeited	—	\$ —	(57,183)	\$ 251.81
Outstanding — September 30, 2024	6,291	\$ 268.64	765,343	(1) \$ 241.87
Expected to vest — September 30, 2024	6,291	\$ 268.64	605,629	\$ 263.93

(1) Includes 96,085 vested and undistributed deferred stock units.

The Company grants restricted stock awards and deferred stock units to its directors and restricted stock units and performance stock units to its employees and officers. Restricted stock awards and stock units must vest or are subject to forfeiture; however, restricted stock awards are included in shares outstanding upon grant and have the same dividend and voting rights as the Company's common stock. The Company recognized \$17.5 million and \$13.5 million of share-based compensation expense related to the vesting of these restricted stock awards and stock units during the three months ended September 30, 2024 and 2023, respectively and \$55.1 million and \$44.3 million during the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, total unrecognized compensation cost for restricted stock awards and stock units was \$98.9 million, which is expected to be recognized over a weighted-average remaining period of 1.94 years.

The Company also grants restricted stock units to its advisors and to institutions. The Company recognized share-based compensation expense of \$0.7 million related to the vesting of these awards during both the three months ended September 30, 2024 and 2023, and \$2.1 million and \$2.0 million during the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, total unrecognized compensation cost for restricted stock units granted to advisors and institutions was \$8.1 million, which is expected to be recognized over a weighted-average remaining period of 2.51 years.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 13 - EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if dilutive potential shares of common stock had been issued. The calculation of basic and diluted earnings per share for the periods noted was as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 255,303	\$ 224,291	\$ 787,867	\$ 848,695
Basic weighted-average number of shares outstanding	74,776	76,062	74,688	77,339
Dilutive common share equivalents	629	1,085	736	1,100
Diluted weighted-average number of shares outstanding	75,405	77,147	75,424	78,439
Basic earnings per share	\$ 3.41	\$ 2.95	\$ 10.55	\$ 10.97
Diluted earnings per share	\$ 3.39	\$ 2.91	\$ 10.45	\$ 10.82

The computation of diluted earnings per share excludes stock options, warrants and stock units that are anti-dilutive. For the three months ended September 30, 2024 and 2023, stock options, warrants and stock units representing common share equivalents of 31,631 shares and 9,513 shares, respectively, were anti-dilutive. For the nine months ended September 30, 2024 and 2023, stock options, warrants and stock units representing common share equivalents of 7,577 shares and 120,753 shares, respectively, were anti-dilutive.

**NOTE 14 - NET CAPITAL AND REGULATORY REQUIREMENTS**

The Company's broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act of 1934, as amended), which requires the maintenance of minimum net capital. The net capital rules also provide that a broker-dealer's capital may not be withdrawn if the resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and the Financial Industry Regulatory Authority ("FINRA") to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements. Net capital and the related net capital requirement may fluctuate on a daily basis.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	<b>September 30, 2024</b>
<b>LPL Financial LLC</b>	
Net capital	\$ 313,331
Less: required net capital	19,441
Excess net capital	\$ 293,890

The Company's subsidiary, PTC, also operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

As of September 30, 2024, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

**LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK  
AND CONCENTRATIONS OF CREDIT RISK**

LPL Financial may offer loans to new and existing advisors and institutions to facilitate their relationship with LPL Financial, transition to LPL Financial's platform or fund business development activities. LPL Financial may incur losses if advisors or institutions do not fulfill their obligations with respect to these loans. To mitigate this risk, LPL Financial evaluates the performance and creditworthiness of the advisor or institution prior to offering repayable loans.

LPL Financial's client securities activities are transacted on either a cash or margin basis. In margin transactions, LPL Financial extends credit to the advisor's client, subject to various regulatory and internal margin requirements, which is collateralized by cash and securities in the client's account. As clients write options contracts or sell securities short, LPL Financial may incur losses if the clients do not fulfill their obligations and the collateral in the clients' accounts is not sufficient to fully cover losses that clients may incur from these strategies. To control this risk, LPL Financial monitors margin levels daily and clients are required to deposit additional collateral, or reduce positions, when necessary.

LPL Financial is obligated to settle transactions with brokers and other financial institutions even if its advisors' clients fail to meet their obligation to LPL Financial. Clients are required to complete their transactions on the settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, LPL Financial may incur losses. In addition, the Company occasionally enters into certain types of contracts to fulfill its sale of when-issued securities. When-issued securities have been authorized but are contingent upon the actual issuance of the security. LPL Financial has established procedures to reduce this risk by generally requiring that clients deposit cash or securities into their account prior to placing an order.

LPL Financial may at times hold equity securities on both a long and short basis that are recorded on the condensed consolidated statements of financial condition at market value. While long inventory positions represent LPL Financial's ownership of securities, short inventory positions represent obligations of LPL Financial to deliver specified securities at a contracted price, which may differ from market prices prevailing at the time of completion of the transaction. Accordingly, both long and short inventory positions may result in losses or gains to LPL Financial as market values of securities fluctuate. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by LPL Financial.

**NOTE 16 - SUBSEQUENT EVENTS**

On October 1, 2024, the Company announced that the Board had terminated Dan H. Arnold, President and Chief Executive Officer of the Company, for "Cause" as defined under the Company's Executive Severance Plan and the Company's 2010 Plan and 2021 Plan. On October 21, 2024, the Company announced that the Board had confirmed Rich Steinmeier as Chief Executive Officer and elected him to the Board. The Company also named Matt Audette as President and Chief Financial Officer.

The Board declared a cash dividend of \$0.30 per share on LPLFH's outstanding common stock to be paid on December 2, 2024 to all stockholders of record on November 14, 2024.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Market Risk**

We maintain trading securities and securities sold, but not yet purchased in order to facilitate client transactions, to meet a portion of our clearing deposit requirements at various clearing organizations, to track the performance of our research models and in connection with our dividend reinvestment program. Trading securities are included in investment securities while securities sold, but not yet purchased are included in other liabilities on the condensed consolidated statements of financial condition and can include mutual funds, money market funds, debt securities and equity securities. We enter into market risk sensitive instruments for purposes other than trading, which are included in other assets on the condensed consolidated statements of financial condition and can include deferred compensation plan assets invested in life insurance, money market and other mutual funds, investments in fractional shares held by customers, and other non-traded real estate investment trusts. Changes in the value of our market risk sensitive instruments may result from fluctuations in interest rates, credit ratings of the issuer, equity prices or a combination of these factors.

In facilitating client transactions, our trading securities and securities sold, but not yet purchased generally involve mutual funds, including dividend reinvestments. Our positions held are based upon the settlement of client transactions, which are monitored by our Trading and Operations department.

Positions held to meet clearing deposit requirements consist of U.S. government securities and equity securities. The amount of securities deposited depends upon the requirements of the clearing organization. The level of securities deposited is monitored by the settlements group within our Trading and Operations department.

Our Research department develops model portfolios that are used by advisors in developing client portfolios. We maintain securities owned in internal accounts based on these model portfolios to track the performance of our Research department. At the time a portfolio is developed, we purchase the securities in that model portfolio in an amount equal to the account minimum, which varies by product.

In addition, we are subject to market risk resulting from operational risk events, which can require customer trade corrections. We also bear market risk on the fees we earn that are based on the market value of advisory and brokerage assets, as well as assets on which trailing commissions are paid and assets eligible for sponsor payments.

As of September 30, 2024, the fair value of our trading securities was \$94.7 million and securities sold, but not yet purchased were not material. The fair value of market risk sensitive instruments entered into for other than trading purposes included within other assets was \$1.1 billion as of September 30, 2024. See Note 5 - *Fair Value Measurements*, within the notes to the condensed consolidated financial statements for information regarding the fair value of trading securities; securities sold, but not yet purchased; and other assets associated with our client facilitation activities.

#### **Interest Rate Risk**

We are exposed to risk associated with changes in interest rates. As of September 30, 2024, \$1.0 billion of our outstanding debt was subject to floating interest rate risk. While our senior secured term loan is subject to increases in interest rates, we do not believe that a short-term change in interest rates would have a material impact on our net income given revenue generated by our client cash balances, which is generally subject to the same, but off-setting, interest rate risk.

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The following table summarizes the impact of increasing interest rates on our interest expense from the variable portion of our debt outstanding, calculated using the projected average outstanding balance over the subsequent twelve-month period (in thousands):

	Outstanding Balance at September 30, 2024	Annual Impact of an Interest Rate <sup>(†)</sup> Increase of			
		10 Basis Points	25 Basis Points	50 Basis Points	100 Basis Points
<b>Corporate Debt and Other Borrowings</b>					
Term Loan B	\$ 1,019,175	\$ 1,015	\$ 2,538	\$ 5,076	\$ 10,152
Revolving Credit Facility	—	—	—	—	—
Variable Rate Debt Outstanding	\$ 1,019,175	\$ 1,015	\$ 2,538	\$ 5,076	\$ 10,152

(†) Our interest rate for our Term Loan B is locked in for one, two, three, six or twelve months as allowed under the Credit Agreement. At the end of the selected periods, the rates will be locked in at the then current rate. The effect of these interest rate locks are not included in the table above.

See Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information.

We offer our advisors and their clients two FDIC insured bank sweep vehicles and a client cash account (“CCA”) that are interest rate sensitive. Our FDIC insured sweep vehicles include an (1) insured cash account (“ICA”) for individuals, trusts, sole proprietorships and entities organized or operated to make a profit, such as corporations, partnerships, associations, business trusts and other organizations and (2) an insured deposit cash account (“DCA”) for advisory individual retirement accounts. Clients earn interest on deposits in the ICA and the DCA while we earn a fee. The fees we earn from cash held in the ICA are based primarily on prevailing interest rates in the current interest rate environment, and are therefore subject to interest rate risk. The fees we earn from the DCA are calculated as a per account fee, and such fees increase as the federal funds target rate increases, subject to a cap.

The Company places ICA sweep overflow into the CCA. These deposits are either used to fund client margin lending or placed in third-party bank or investment accounts, both of which are segregated under federal or other regulations, where they are held as cash or invested in short-term U.S. treasury bills. We earn interest income on these bank deposits and investments in short-term U.S. treasury bills and pay interest to clients on these CCA balances, which are sensitive to prevailing interest rates. This interest income and expense is included in interest income, net in the condensed consolidated statements of income. Changes in interest rates and fees for the deposit sweep vehicles are monitored by our Rate Setting Committee (the “RSC”), which governs and approves any changes to our fees. By meeting promptly around the time of Federal Open Market Committee meetings, or for other market or non-market reasons, the RSC considers financial risk of the deposit sweep vehicles relative to other products into which clients may move cash balances.

### **Credit Risk**

Credit risk is the risk of loss due to adverse changes in a borrower’s, issuer’s or counterparty’s ability to meet its financial obligations under contractual or agreed upon terms. We are subject to credit risk from certain loans extended to advisors and institutions when we extend loans with repayment terms to facilitate advisors’ and institutions’ transition to our platform or to fund business development activities. We are also subject to credit risk when a forgivable loan to an advisor or institution converts to repayable upon advisor or institution termination or change in agreed upon terms.

Credit risk also arises when collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet clients’ contractual obligations to LPL Financial. Our credit exposure in these transactions consists primarily of margin accounts, through which we extend credit to advisors’ clients collateralized by securities in the clients’ accounts. Under many of these agreements, we are permitted to sell, repledge or loan these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions.

As our advisors execute margin transactions on behalf of their clients, we may incur losses if clients do not fulfill their obligations, the collateral in the clients’ accounts is insufficient to fully cover losses from such investments and our advisors fail to reimburse us for such losses. Our losses on margin accounts were not material during the three and nine months ended September 30, 2024 or 2023. We monitor exposure to industry sectors and individual securities and perform analyses on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions.

We are subject to concentration risk if we extend large loans to or have large commitments with a single counterparty, borrower or group of similar counterparties or borrowers, or if we accept a concentrated position as

collateral for a margin loan. Receivables from and payables to clients and stock borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is monitored. We seek to limit this risk through review of the underlying business and the use of limits established by senior management taking into consideration factors including current market conditions, the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

##### **Change in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the third quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

From time to time, we have been subjected to and are currently subject to legal and regulatory proceedings arising out of our business operations, including lawsuits, arbitration claims, and inquiries, investigations and enforcement proceedings initiated by the SEC, FINRA and state securities regulators, as well as other actions and claims. See Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements for additional information.

#### **Item 1A. Risk Factors**

There have been no material changes in the information regarding the Company's risks, as set forth under Part I, "Item 1A. Risk Factors" in the Company's 2023 Annual Report on Form 10-K.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

#### **Item 3. Defaults Upon Senior Securities**

None.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

#### **Item 5. Other Information**

During the three months ended September 30, 2024, none of our officers (as defined in Rule 16a-1(f) under the Exchange Act) entered into, modified or terminated contracts, instructions or written plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions specified in Rule 10b5-1(c) under the Exchange Act.

**Item 6. Exhibits**

- 3.1 Amended and Restated Certificate of Incorporation of LPL Investment Holdings Inc., dated November 23, 2010 (incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 filed on July 9, 2010, File No. 333-167325).
- 3.2 Certificate of Ownership and Merger Merging LPL Financial Holdings Inc. with and into LPL Investment Holdings Inc., dated June 14, 2012 (incorporated by reference to the Form 8-K filed on June 19, 2012, File No. 001-34963).
- 3.3 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of LPL Financial Holdings Inc., dated May 8, 2014 (incorporated by reference to the Form 8-K filed on May 9, 2014, File No. 001-34963).
- 3.4 Seventh Amended and Restated Bylaws of LPL Financial Holdings Inc. (incorporated by reference to the Form 8-K filed on February 20, 2024, File No. 001-34963).
- 22.1 List of Subsidiary Guarantors and Issuers of Guaranteed Securities.\*
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).\*
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).\*
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*
- 101.SCH Inline XBRL Taxonomy Extension Schema\*
- 101.CAL Inline XBRL Taxonomy Extension Calculation\*
- 101.LAB Inline XBRL Taxonomy Extension Label\*
- 101.PRE Inline XBRL Taxonomy Extension Presentation\*
- 101.DEF Inline XBRL Taxonomy Extension Definition\*
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**LPL Financial Holdings Inc.**

Date: November 4, 2024

By: /s/ RICHARD STEINMEIER  
Richard Steinmeier  
Chief Executive Officer

Date: November 4, 2024

By: /s/ MATTHEW J. AUDETTE  
Matthew J. Audette  
President and Chief Financial  
Officer